

**SURVEY OF
INTERNATIONAL AFFAIRS
1932**

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BY

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ASSISTED BY

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Instructed ships shall sail to rich commerce,
By which remotest regions are allied ;
Which makes one city of the universe,
Where some may gain and all may be supplied.
DRYDEN: *Annus Mirabilis*.

Cedet et ipse mari vector, nec nautica pinus
Mutabit merces : omnis feret omnia tellus.
VERGIL: *Eclogue* iv. 38-9.

OXFORD UNIVERSITY PRESS
LONDON : HUMPHREY MILFORD

*Issued under the auspices of the Royal Institute
of International Affairs*

1933

OXFORD UNIVERSITY PRESS

AMEN HOUSE, E.C. 4

LONDON EDINBURGH GLASGOW

LEIPZIG NEW YORK TORONTO

MELBOURNE CAPE TOWN BOMBAY

CALCUTTA MADRAS HONGKONG

HUMPHREY MILFORD

PUBLISHER TO THE
UNIVERSITY

PRINTED IN GREAT BRITAIN

PREFATORY NOTE

IN the history of a world-malady which was working itself out convulsively in a succession of paroxysms, the calendar year 1932 covered an interval of relative quiescence and torpidity between the extraordinary preceding year 1931 and the extraordinary succeeding year 1933. There were no events in this year of such dynamic force as the explosions of fanatical nationalism in Japan and Germany or the dramatic departures of the Pound and the Dollar from the gold standard.

Accordingly, it has been possible in this volume to return to the usual method of this series and to concentrate again upon the external relations of different countries with one another, instead of going deeply into the internal affairs of the countries that were playing the leading rôles. On the other hand, it has not been possible to compress the narrative of the events of this year into the usual number of pages ; since the international transactions of 1932 were as voluminous as they were inconclusive (and every historian knows that it requires more words to do justice to a transaction which has ended in nothing than to summarize the history of negotiations which have led up to some definite and decisive action).

In 1932, the World Economic Crisis and the Far Eastern Crisis were presenting problems, without evoking solutions, from January to December without a break, and the World Disarmament Conference opened in February. In consequence, the year's activity in the field of international affairs was almost comparable in volume and intensity to the activity during the years of the War and the Peace Conference.

The history of the World Economic Crisis has been dealt with in this volume, as in the two preceding volumes, by Mr. H. V. Hodson. The history of German Reparations and Inter-Ally Debts has been brought up to date by Mr. R. J. Stopford ; and the extremely complicated history of East-European Reparations has been carried to its conclusion by Mr. Jules Menken.

It has also been thought desirable to bring up to date the history of North-European relations in general and of German-Polish relations in particular. The latter, which were last dealt with in the second volume of the *Survey for 1925*, consist of a mass of complicated

detail which it is not easy to present intelligibly in the form of annals. In the present volume, these German-Polish relations are surveyed over a seven-years' span; and on this time-scale it is perhaps less difficult to discern the relative proportions of the various transactions that fall to be recorded in this Part.

ARNOLD J. TOYNBEE.

September 1933.

CONTENTS

PART I. THE WORLD CRISIS

(i) INTRODUCTION	1
(ii) TARIFFS AND EXCHANGE CONTROL: THE STRUGGLE TO ESCAPE. By H. V. HODSON	
(a) Introductory	3
(b) The Universal Tariff War	4
(c) Exchange Control	11
(d) Barter	14
(e) Bilateral Agreements	15
(f) Agrarian Preferences: the Stresa Conference	19
(g) The Ottawa Conference	27
(h) Other Multilateral Action: the Belgo-Dutch Convention	34
(i) The World Economic Conference	41
(iii) DEBTS AND DEFAULTS. By H. V. HODSON	
(a) Trade, Tariffs, and Finance in 1932	42
(b) Germany	45
(c) Austria	51
(d) Hungary	56
(e) Bulgaria	63
(f) Greece	67
(g) The League Loans	73
(h) Work of the Financial Committee of the League	77
(i) The Austrian Loan	84
(j) The Stresa Conference	87
(k) Conclusion	95

PART II. REPARATIONS AND WAR DEBTS

(i) GERMAN REPARATIONS AND WAR DEBTS (1931-2). By R. J. STOFFORD	
(a) Introductory	97
(b) The Hoover Moratorium	98
(c) The Lausanne Conference	108
(d) War Debt Negotiations	
(1) November and December, 1932	116
(2) 1st January to 4th March, 1933	131
(ii) NON-GERMAN REPARATIONS. By JULES MENKEN	
(a) Introductory	137
(b) From the Young Committee to the Second Hague Conference	139
(c) The Hague Settlements	
(1) Introductory	141
(2) Austria	143
(3) Bulgaria	145
(4) Hungary	149
(5) Liberation Debts, Ceded Properties and the Distribution of Non-German Reparations	159
(6) Conclusion	165
(d) From the Second Hague Conference to the Lausanne Conference	167

PART III. DISARMAMENT AND SECURITY

(i) INTRODUCTION	173
(ii) THE WORLD DISARMAMENT CONFERENCE (FEBRUARY TO DECEMBER, 1932)	192
(a) The General Discussion (2nd-24th February, 1932)	194
(b) The Committees and the Question of Qualitative Disarmament (March to June, 1932)	211
(c) The Hoover Plan and the Conclusion of the First Phase of the Conference (June and July, 1932)	234
(d) The German Claim to Equality of Status (August to December, 1932)	258

PART IV. NORTH-EASTERN EUROPE

(i) INTRODUCTION	301
(ii) RELATIONS BETWEEN GERMANY AND POLAND (1926-32)	311
(a) Introductory	311
(b) The Liquidation of Questions arising out of the Peace Settlement	326
(c) Negotiations for a Commercial Treaty	334
(d) Questions arising in connexion with Minorities	344
(iii) POLAND AND DANZIG (1926-32)	370
(iv) RELATIONS BETWEEN GERMANY AND LITHUANIA OVER THE MEMEL TERRITORY	394

PART V. THE FAR EAST

(i) INTRODUCTION: INTERNAL DEVELOPMENTS IN CHINA AND JAPAN	409
(ii) THE YEAR IN MANCHURIA	
(a) Introductory	432
(b) Japanese Military Operations	433
(c) The Reaction of the Various Elements in the Population of Manchuria towards the Japanese Occupation	440
(d) The Erection and Recognition of 'Manchukuo' by the Japanese	452
Additional Note	467
(iii) THE JAPANESE NAVAL AND MILITARY OPERATIONS AT SHANGHAI	
(a) The Immediate Antecedents at Shanghai of the Japanese Operations	470
(b) Japanese Operations in and round Shanghai (28th January-3rd March, 1932)	480
(c) The Question of the Use of the International Settlement as a Base of Japanese Operations	495
(d) Negotiations regarding the Cessation of Hostilities and the Withdrawal of the Japanese and Chinese Troops from Shanghai	502
(iv) THE DIPLOMATIC REPERCUSSIONS	
(a) The Attitudes of the Powers	515
(b) The Action of the United States	540
(c) The Action of the League of Nations	558
(1) The Sixty-Sixth Session of the Council (25th January-29th February, 1932)	558
(2) The Special Session of the Assembly and the Committee of Nineteen (March to November, 1932)	570

CONTENTS

ix

APPENDIX

Chronology of Events, 1932	587
INDEX	611

MAPS

China	} <i>at end</i>
Shanghai	
The World on Mollweide's Projection	

PART I

THE WORLD CRISIS

(i) Introduction

IN the midst of a great crisis in human affairs, the history of the year 1932 seemed colourless and sluggish by comparison with the sensational and catastrophic events that had gone before in 1931 and that were to follow after in 1933. And, since the human sense of catastrophe is relative and the human capacity for sensation is limited, this year 1932 made the impression of a comparatively dull year upon the minds of those who lived through it—though doubtless it would have made a wholly different impression upon the minds of these men's fathers if the events of this year could have been miraculously forestalled and malignly inserted into the annals of the nineteenth century by some sleight of hand on the part of the Time Spirit.

And, indeed, though these events of 1932 made an impression of dullness upon the minds of contemporaries, this was the dullness of the sickbed or the treadmill and not the dullness of the Garden of Eden.

In this year 1932 public affairs in general were in that state of laborious stagnation that had been the state of the Reparations Question from the coming into force of the Versailles Treaty down to the invasion of the Ruhr by the French and Belgian Armies.¹ While the question of Reparations and Inter-Ally Debts (now irretrievably welded together) was being held in a state of suspended animation by the currency of the Hoover Moratorium, the question of Disarmament was being buried alive in the pigeon-holes of the expert commissions, and the question of effectively asserting the post-war collective system of security against Japanese aggression was being postponed—with an ingenuity that was still more deliberate and still more perverse—until every possibility of conciliation had been exhausted by Great Powers which had long ago made up their minds that they would not let a situation arise in which the sanctions provided in Article 16 of the Covenant of the League of Nations would become legally applicable. As for the World Economic Crisis, Mankind—or, rather, the responsible authorities in the sixty or seventy fully self-governing states between which the Human Race was partitioned at the time—made the impression of a desperately sick man who doggedly refuses to listen to his doctor's orders on the

¹ See the *Survey for 1920-3*, Part II, section (iv).

ground that he has just managed, in spite of his wilfulness, to survive the latest paroxysm of his disorder, while he sedulously squanders his reprieve in dosing himself with quack medicines pending the inevitable onset of the next—and possibly the final—fit.

At this moment of quasi-delirious folly, when the dissolution of the existing World Economic Order seemed to be at hand, the professional economists were babbling—not of green fields, but of a suburban life of quite unprecedented wealth and leisure which was to be ground out miraculously, for the children of the Industrial Revolution, by the ‘dark satanic mills’ that had sprung up over the face of the Earth from Manchester to Bombay and from Sheffield to Pittsburgh and Magnitogorsk.

The economists had sometimes committed themselves to the doctrine that this dream of an earthly paradise (or garden-city) would be translated into fact on the day when Man succeeded in reducing himself to the spiritual stature of a pure and simple *Homo economicus*. But the truth was, of course, exactly the contrary. The fabulous material wealth and leisure which, in theory, was brought within Man’s grasp by the practical application of the many inventions of the Machine Age could only be harvested in practice by a Communion of Saints to whom this incidental consequence of their state of grace would have been as worthless for its own sake as it would have been easy to attain for just that reason. The potential riches of Industrialism were offered to the living generation of Mankind on the same condition on which, in the ancient fable, the riches of Tarshish and Ophir had been offered to King Solomon; and this condition was the gift of an understanding heart to discern between good and bad.¹ In the jargon of a latter-day technology, the unsolved problem which was withholding the glittering fruit from Tantalus’s greedy grasp was ‘the problem of distribution’; and the problem of distribution was a problem which *Homo economicus*, in his nakedness, was constitutionally incapable of solving. In the simpler language of Humanity and Divinity, to solve the problem of distribution meant eradicating that ‘lie in the soul’ which was maintaining disastrous moral barriers between nation and nation and between class and class.

In A.D. 1932 it was patent that the potential gift of an undreamed-of wealth and leisure could only be grasped by Man at the price of an undreamed-of fraternity and solidarity between every man and all his fellow human-beings; and this was a price which the living generation of Mankind seemed morally incompetent to pay. The

¹ 1 Kings iii. 9.

living generation, like Peter at Joppa, was seeing in a trance the vision of a great sheet let down from Heaven by four corners, which contained all the abundance of Physical Nature; and, like Peter, this generation was hearing a voice that seemed to invite them to take their fill. Would they answer, as Peter had answered, that they would rather reject God's bounty than renounce, as the price of receiving it, those cherished barriers of caste and race by which they loved to divide themselves from their brothers? In 1932 the final, irrevocable answer was perhaps not yet declared; but the magic sheet had now been let down the traditional three times, and it was manifest that, if it were rejected once again, it might be drawn up this time for ever into Heaven.

(ii) Tariffs and Exchange Control: the Struggle to Escape.

By H. V. Hodson.

(a) INTRODUCTORY

1931 was the year of financial crisis. From the collapse of the Credit-Anstalt in May to the relinquishment of the Gold Standard by Great Britain four months later, the world was subjected to a series of disasters, in the field of finance and foreign exchange, which entirely prevented any commercial recovery, and indeed accelerated the decline of production and the drying-up of international trade. But by the end of the year the thunder of these explosions had died away and only the echoes reverberated still. The banking system of Germany had been restored to solvency if not to strength. Artificial supports of one kind or another were propping up the financial systems of Central and Eastern Europe so that no further spectacular collapse was threatened. The pound sterling had reached what appeared at that time, at least, to be a natural level, and a fairly well-defined group of currencies had attached themselves to it, in distinction not only from the few remaining Gold Standard countries, and the countries which maintained their exchanges nominally at parity with gold by all kinds of restrictive devices, but also from those whose money was out of fixed or *de facto* relation either with sterling or with gold.¹

The extraordinary 'toughness' of the capitalist system had been tested and proved. In spite of all those shocks, the main structure of the system still stood, supported though it was by every kind of

¹ See the *Survey for 1931*, p. 237, for a classification of the world's currencies in April 1932. Between that date and the end of 1932, Siam, Peru and South Africa abandoned the Gold Standard; and Rumania and Persia introduced foreign exchange restrictions which rendered the Gold Standard ineffective.

makeshift scaffolding, and partially supplanted as it was in many countries by further and further encroachment of government activity into the former field of private enterprise in production, trade, and banking. Its condition, as was said of affairs in Austria at the time, was 'always grave but never serious'. Firms and individuals, aided by the decline of costs either through legislative action or through more natural processes, and spurred on by the normal incentives of capitalist trade and industry, were still finding means of curtailing their losses or of making profits, while most Governments were facing their fiscal problems with determination and reducing their deficits, even though scarcely any of them could achieve surpluses. 1932, indeed, may be described as the first year of attempt, by national and international action, to escape from the world economic crisis. The attempt had been far from successful at the end of the year, and an observer regarding the enormous and still swelling army of unemployed, the miserable trickle of international trade, the failure to settle international political problems, the disturbing fluctuations of international exchanges, the vast height of tariff barriers and the unmitigated strangulation of trade and finance by direct control of the exchanges, all of which characterized the latter days of 1932, might have been inclined to scoff at such a description of the year. But equally no one who recalled the Lausanne settlement, the relaxation of monetary conditions, the definite assault on the War Debts problem, the eager preparations for the World Economic Conference, the Austrian loan agreement, the attempt (whether well or ill advised) at Ottawa to revivify trade within the British Commonwealth, and the attack by the Stresa Conference and the League's Financial Committee on the problem of exchange blockade in Europe, could deny altogether that the attempt had been made.

(b) THE UNIVERSAL TARIFF WAR

With scarcely an exception, tariffs were rising throughout the world in 1932. In Australia, with the advantage of exchange depreciation, the Government in office was pledged to cut down the tremendous protective tariff associated with the name of Mr. Scullin; but even there little effective reduction was achieved before the end of the year. In the United States, the Democratic Party, officially pledged to reduction of the Hawley-Smoot tariff, already held the balance of power in Congress, and the presidential election held out the promise of better things to come, but the only significant alteration of the American tariff in 1932 was the addition of high import duties on copper, lumber, and oil, in the course of the passage of the

Tax Bill—this with the aid of Democratic votes. The most notable addition to the tariffs of the world was, of course, the British Import Duties Act. After a brief experiment with a temporary tariff, concentrated on certain luxuries or non-essential goods and in many cases intended to be practically prohibitive, Great Britain stepped on the 1st March, 1932, into the ranks of the moderate tariff countries of the world. A general 10 per cent. tariff (subject to certain exceptions, mostly staple foodstuffs and raw materials) was to be augmented by a series of more or less protective duties on manufactured goods, ranging up to a total duty of $33\frac{1}{3}$ per cent. *ad valorem*, on the initiative of an independent tariff board with wide terms of reference adverting to the 'advisability in the national interest of restricting imports into the United Kingdom'. None of these duties was to apply to imports from other parts of the British Commonwealth, but this provision was of minor importance in relation to manufactured goods. As the year wore on, more and more duties were added by successive recommendations of the tariff committee.

It is impossible to compute how far the imposition of the British tariff was responsible for subsequent increases of tariffs elsewhere, and indeed this is no place for such a speculative discussion, but that event can definitely be described as an episode in the universal tariff war that was raging throughout this phase of the world crisis. In the first place, the popular demand for a tariff in Great Britain was influenced, beyond question, by the growth of tariffs on British goods entering foreign countries, and by the feeling not only that a free trade policy was incompatible with such restriction of British exports, but also that a tariff was necessary as a bargaining instrument to secure the reduction of foreign duties. In the second place, the depression was certainly deepened (if not caused) by the sudden reduction of international lending, which compelled debtor countries to achieve outward balances of trade, partly by stimulating exports and partly by restricting imports; if, then, further obstacles were to be opposed to their exports by creditor countries, they had no alternative but to enhance their restrictions upon imports. In the third place, in certain instances there is evidence of definite retaliation.

It was, no doubt, accidental though it was unmistakable that the British tariff pressed particularly hardly on German products. A table published by the *Economist*,¹ based on 1930 import figures, showed that whereas in 1930 over 89 per cent. of imports from Germany came in free of duty, after the ratification of the Ottawa schedules 24·2 per cent. of such imports would be subject to 10 per cent. duty, 49·7 per

¹ Supplement to the issue of the 22nd October, 1932.

cent. to duties ranging from 11 to 20 per cent. *ad valorem*, and 10.9 per cent. to duties exceeding 20 per cent. *ad valorem*, leaving only 4.5 per cent. of the imports free of tax. These figures for Germany may be compared with the following for imports from all foreign countries: in 1930, free 83 per cent. and taxed 17 per cent.; after Ottawa, free 25.2 per cent.; subject to 10 per cent. duty, 28.3 per cent.; subject to 11–20 per cent. duty, 21.8 per cent.; subject to over 20 per cent. duty, 7.7 per cent. The achievement of an outward balance of trade by Germany—sufficient to pay her obligations for interest and long-term capital amortisation, though it left nothing over for Reparations—was one of the most remarkable features of international economic life in the first three years of the slump. In 1929 Germany's imports totalled over £670,000,000, exceeding her exports by £40,000,000. Yet in 1930 her exports, at £610,000,000, exceeded her imports by £80,000,000, and in the following year the outward balance had been increased to £140,000,000, in spite of a reduction of exports to only £485,000,000.¹ As a result, however, of the growth of tariffs elsewhere and the depreciation of exchanges against the mark, along with the general decline of international trade, this balance showed signs of serious diminution before 1931 was out, and the British tariff further gravely aggravated Germany's difficulties.²

Therefore it was not surprising to find the German Government referring to the British duties when they replied to an official protest against the restrictions laid upon imports of British coal into Germany by means of the quota system. As late as 1931, imports of British coal and coke into Germany had totalled 3,900,000 tons, including some 850,000 tons delivered in free port areas for bunkers, this category not being subject to quota regulation; under the quota order of March 1932 imports within the quota scheme were to be reduced from 3,100,000 tons to 1,500,000 tons in the year 1932. The system of quota regulation in the coal trade was of old standing in Germany, and it was not against the principle of it that the British Government were protesting, but against alleged violation of most-favoured-nation rights assured to Great Britain under the Anglo-German commercial treaty of 1924; it was claimed that the quotas allotted to other countries had not been proportionately reduced because Germany had special agreements with them relating to reciprocal quotas.

¹ Except where otherwise stated, all conversions from foreign currencies in this chapter have been calculated at gold parity.

² Germany's exports fell in 1932 to £281,000,000 (gold), and her surplus of exports over imports to £53,000,000.

Later it became known that there was also in existence a document not taking the form of a treaty, but containing a unilateral undertaking on behalf of the German Government not to alter for the worse their regulation of the coal trade during the currency of the Anglo-German trade treaty. The reply of the German Government to the British protests was to the effect that the whole basis of the treaty had been fundamentally altered by the imposition of the British tariff; they requested a discussion of the latter duties in so far as these bore specially hardly on German exports, by way of verbal negotiations as the treaty provided; but the British Government, while accepting the principle of arbitration on the quota issue, refused to allow their tariff policy to be called in question. This attitude was modified after the Ottawa Conference, and during December 1932 discussions took place in Berlin between delegations representing the British and German Governments concerning on the one hand the British tariff on certain articles of special interest to German trade, and on the other the German quota on British coal. Only a preliminary exchange of views was completed by the end of the year, but later a limited agreement embodying mutual concessions was initialled and duly ratified, not without protest from those British industries whose measure of protection had been thereby curtailed.

The coal quota was not by any means the only addition to existing restrictions on trade imposed by the German Government during 1932, nor the only one to arouse international antagonism. In January a decree was promulgated empowering the Government in cases of urgent necessity to impose a compensating surcharge on goods coming from countries whose exchanges had fallen below gold parity, and to impose increased customs duties on goods coming from countries with which Germany had no commercial treaty or from which Germany did not receive most-favoured-nation treatment. The primary object of the decree was apparently to stop abnormal imports of butter from Denmark, who had been given a considerable advantage in the German market by the depreciation of the krone. This action aroused deep resentment in Denmark, but it was not until October that a new tariff was imposed by the Danish Government, involving large increases of duties upon foodstuffs as well as industrial articles, especially silk and rayon and manufactured clothing, and frequently changing *ad valorem* into specific duties—the protective effect of the former (as many another country found) having progressively diminished as the general level of prices fell. While this tariff was felt sharply by German exporters, its declared

purpose was simply to right Denmark's failing balance of trade. In February 1933 another round of this bout between the two countries was begun. The Reich Government (in which Herr Hugenberg was Minister for Food and Agriculture and for Economic Affairs) raised the protective duties on live stock, meat, and lard, in many cases to at least double their former level. The new duties were to come into operation on the 15th February, upon the expiry of the German-Swedish trade treaty, in which Germany had forsworn any increase of the duty on lard beyond Rm. 10 per 100 kgs., whereas under the new dispensation it was to be Rm. 50. Apart from their effect on other countries, these drastic measures threatened to reduce Danish exports to Germany to a mere fraction of their former value, and in retaliation the Danish authorities responsible for the allotment of foreign exchange proceeded equally drastically to prune Germany's exports to Denmark.

The chief countries affected by Germany's new 'super-tariff' against countries with whom she had no commercial treaty were Canada and Poland, with the latter of whom Germany had for long been engaged in a devastating tariff war. With Canada, negotiations for the conclusion of a treaty were soon begun, and eventually met with success. On the 1st September, again, the German Government further increased the duties payable on many industrial and agricultural products. These changes appeared to be directed principally against British goods, for duties on many categories of textiles and clothing, being British specialities, were raised considerably, some of them trebled. Other imports to suffer were American machinery and important Czechoslovak products. A month later, in response to persistent agrarian agitation, a score of import quotas was imposed on agricultural products, including butter, lard, bacon, and many market-gardening products. In February 1933 the Reich Government added to the restrictions already mentioned (including the raised duties on live stock, meat, and lard), a series of measures designed to eliminate all German imports of cereals except such as were balanced by an equivalent export of cereals. By this time industrial and financial interests were seriously alarmed by the bad will, and in some cases explicit retaliation, engendered abroad by these restrictions; indeed, the conflict of interest between town and country, as manifested in these issues of tariffs and quotas, had become one of the most vital internal issues that any German Government had to face.

The quota system was widely used by France, too, as a means of protection for her industry and agriculture, and of arresting the steady change of her external balance of commodity trade from a

surplus to a deficit, which had been going on ever since 1928. During 1932 the system was widely extended. In the course of an unofficial exchange of protests initiated by the British Chambers of Commerce, the British tariff and propaganda in Great Britain against the purchase of foreign goods were mentioned as contributory reasons for the reduction of France's imports by quotas. In a public statement explaining the system, Monsieur Rollin, Minister of Commerce in the Tardieu Government, said that to have increased tariffs alone would have been useless, for in the period of a crisis no tariff wall, unless fantastically high, could prevent the movement of enormous accumulated stocks. Moreover, nearly three-quarters of France's tariff duties had been consolidated under commercial agreements between 1927 and 1928, and the Government could not alter them. It was soon found, however, that the effect of restrictive quotas was a great rise in the cost of living, indeed occasionally acute shortage of certain goods, including some foodstuffs, besides the retaliatory measures of other countries; and from the 1st July the system was relaxed, in preparation, it was officially said, 'for a progressive return to a greater liberty of international exchange'. The majority of the quotas were enlarged, the increase of the coal quota being of special advantage to Great Britain. On the other hand, the navigation laws of the eighteenth century were recalled by the decision of the French Government to compel French importers of coal, as from the 1st September, to ship 50 per cent. of their coal in French bottoms.

At the beginning of June 1932 the Economic Committee of the League of Nations reported¹ that since the beginning of 1930 practically every country had remoulded its customs tariff on a more or less extensive scale, or had increased its import duties on particular products; and that in the past few months alone, for example, Belgium, Denmark, Estonia, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Rumania, Sweden, Bolivia, Brazil, Siam, the Union of South Africa and—'most striking development of all'—the United Kingdom, had increased their duties in some cases on important categories of goods, or even the whole of their tariffs. Moreover, measures for the direct regulation of trade had been widely adopted, of which the most frequent were measures to establish import quotas or to institute import licenses or permits. Austria, Belgium, Czechoslovakia, Denmark, Estonia, France, Germany, Greece, Hungary, Italy, Latvia, Norway, Poland, Rumania, Spain, Switzerland and Turkey were the chief countries in Europe which had introduced such measures. While these regulations were applicable

¹ League of Nations Document *C. 516. M. 255. 1932. II B.*

—in Belgium, Denmark, Germany and Rumania, for example—only to certain groups of goods, or (as in Italy) were strictly limited to goods specified as coming from particular countries, they had been continuously intensified in France, Estonia and other countries, and actually extended in Latvia and Turkey to the whole volume of imports. Certain countries, such as Estonia and Persia, had preferred the system of import monopolies to the system of import quotas or permits, while others, such as Spain, Portugal and Colombia, had rigidly prohibited the importation of particular products. A number of countries, furthermore, had not restricted these regulative measures to the import trade, but had adopted a system of permits for the export of particular products (as in Denmark and Spain) or for all exports (as in New Zealand).

It is quite impossible to review comprehensively the various aggravations of trade restriction, occurring all over the world, in creditor and debtor countries, in retaliation one towards another and in a general attempt to secure that elusive and illusory trophy, an outward balance of trade. All that can be done here is to mention a few instances of illustrative importance. The Chinese Government imposed heavy duties on the import of luxury articles, medicines, and toys, that is to say, goods bought chiefly by foreigners, but the principal reason was apparently the need for greater revenue, and this was a motive which operated in other countries, including Great Britain herself. In India, the influx of Japanese cotton goods through the depreciation of the yen forced the Government to refer the question of further protection for local industry to the Tariff Board, on whose recommendation import duties on cotton piece goods not of British manufacture were raised on the 30th August, generally, from 20 per cent. to 50 per cent., less the existing $11\frac{3}{4}$ per cent. surcharge, the net increase being thus $18\frac{1}{4}$ per cent. *ad valorem*; but as the Board's calculations were based on an exchange rate of Rs. 106 to 100 yen, and the actual rate was Rs. 86 to 100 yen, the Japanese manufacturer continued to enjoy a substantial advantage.¹ Here again was a motive which operated very generally, both in Europe and in the New World. In view of the attitude of the German Government towards British complaints about their own quota on coal imports, it is interesting that they were reported, in August, to be appealing

¹ On the 6th June, 1933, the Government of India announced that, the yen having remained for six months at approximately Rs. 82 to 100 yen, the import duties on cotton piece goods not of British manufacture would be raised to 75 per cent. *ad valorem* (or, in the case of plain grey piece goods $6\frac{1}{2}$ annas per lb., whichever was the higher). Discrimination against Japan was precluded by a trade convention between the two countries.

to the most-favoured-nation clause in a dispute with Belgium over the latter's progressive reduction of quotas on imports of coal. Finally, there must be mentioned the new Uruguayan tariff promulgated in August, for it embodied a principle frequently championed in public controversy over tariffs, in spite of the obvious economic fallacies inherent in it. Duties were to be reduced on goods imported from countries with which Uruguay had a favourable balance of commodity trade exceeding 1,000,000 pesos per annum, while an additional tariff was to be imposed on goods from other countries in proportion to the adverse balance of Uruguay's trade with them. It may be noted that this measure promised to award valuable preference to Great Britain, but that its full implementation was prevented by the existence of most-favoured-nation treaties.

(c) EXCHANGE CONTROL

Restriction of trade and financial intercourse through control of exchange operations was almost as universal as the heightening of tariffs. In a few cases, however, there was actually a relaxation of such control. In Great Britain there never had been any general supervision of transactions involving the sale of foreign exchange, but a ban was placed upon new capital issues for other countries—indeed upon all new issues during the process of National Debt conversion. This was slightly relaxed on the 1st October, 1932, when a Treasury notice stated that no further restrictions in the way of new issues were required, except (until further notice) (a) issues on behalf of borrowers domiciled outside the Empire or issues the proceeds of which would be remitted abroad, and (b) the optional replacement of existing issues by new issues involving either underwriting or an invitation to the public to subscribe new cash. Early in 1933, the Treasury, in accordance with these regulations, banned the issue of securities to the public to provide funds for the repurchase from American interests of a controlling block of shares in Messrs. Boots Ltd., the multiple chemists.¹ In Sweden and Finland exchange control was removed in December 1931. In Portugal and Spain the difficulties in the way of exchange transactions were reduced in the course of the year, while in Venezuela the rationing system adopted by the banks was removed. In reply to a parliamentary question on the 13th June, the Secretary to the Overseas Trade Department of the Board of Trade said that the countries in which restrictions upon exchange transactions were operative were as follows: Austria,

¹ See the Treasury Order of the 17th May, 1933, for the exact terms of the ban.

Bulgaria, Czechoslovakia, Denmark, Estonia, Germany, Greece, Hungary, Iceland, Latvia, Portugal, Rumania, Spain, Turkey, Jugoslavia, Portuguese East Africa, Portuguese West Africa, Portuguese Guinea, Argentine, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Nicaragua, Salvador, Uruguay. In three countries—Italy, Lithuania and Norway—registration or supervision was undertaken by the banks.

Germany was the foremost exponent of exchange control, and in the course of 1932 the restrictions which she imposed were tightened progressively in view of the failing export balance achieved. In 1931 the average monthly excess over imports was more than Rm. 200,000,000, whereas in only two months of 1932, March and September, did the monthly surplus exceed even Rm. 100,000,000. The various means of evasion (for instance the tender of German securities by foreign firms as payment for goods supplied, in lieu of foreign exchange) were stopped one after another. By April the quotas of exchange allotted to importing firms had been limited to 25 per cent. of their foreign exchange requirements in October 1930. The total imports, however, were not restricted in quite the same proportion, largely because importers made use of foreign credit lines becoming available through the agreed liquidation of credits under the standstill arrangement.¹ Other points of interest in connexion with German exchange control were the decision to place the contribution to the finances of the League in a blocked account (August), and the prohibitive export duty (Rm. 8 per kg.) placed on the export of used machines and parts, in order to prevent the setting up of businesses abroad by German firms seeking to escape the high costs of production at home and protective tariffs abroad. Thus move and countermove followed in rapid succession in the suicidal game of trade-snatching. An incident of the game was the cancellation by Germany of the concessionary arrangement with Italy whereby the latter paid for imports from Germany out of blocked accounts in marks. Italy responded by paying net mark debts as to three-quarters in blocked lire; and after three and a half months of tension Germany capitulated, the former arrangement being renewed.

In some countries management of exchange transactions was reinforced or replaced by direct control of imports. This was so in Austria, for instance, where a system of import control over a wide list of commodities, including foodstuffs, textiles, motor cars and a great many other manufactures, was imposed on the 1st May. Another country to use the method of direct import control was

¹ See the *Survey for 1931*, pp. 217-18, 238-9.

Denmark. Upon the abandonment of the Gold Standard by Great Britain, 'as a means of facilitating trade and controlling currency, a foreign exchange committee was established under the aegis of the National Bank, who could, on the one side, direct Danish imports to the countries who were the principal receivers of Danish exports, and, on the other side, curtail the import of luxury goods which Denmark at a time of crisis could ill afford. This arrangement proved to be very much in favour of England.'¹ On the 10th October it was announced that the currency restrictions then in force were to be abolished, and in place of the foreign exchange committee there would be instituted a special board for all foreign trade; at the same time a series of tariff increases was submitted.²

One of the worst features of import control through tariffs and exchange restriction in Central and Eastern Europe was the recrimination and retaliation that they engendered, resulting in an ever tighter strangulation of trade. Thus, in Rumania a bill was passed in February to regulate dealings with countries where currency restrictions were in force; all payments for imports from such countries were to be made through a special compensation department of the National Bank. In May this system was made more rigorous, the export of currency being prohibited and all exchange operations being centralized at the National Bank. When Hungary's trade treaty with Austria expired and the latter proceeded to put on a tariff which severely injured Hungary's seasonal export of fruit and vegetables, specific action was taken to restrict the sale of Austrian schillings.

The effect of all these forms of restriction on commercial relations can easily be imagined. Every import is necessarily an export in another country; thus, there developed a process by which these foreign exchange restrictions produced, by their cumulative effect, a disastrous influence on the trade of those countries, both with each other and with third countries, at a time when international trade was so badly hit by the world crisis.

Naturally, means were sought for attenuating these consequences, more particularly by agreements essentially involving exchanges of goods. The international clearing conventions belong to this group. Without going into details, it may be noted that these clearing conventions did not yield appreciable results, except when the monetary situation of the two contracting countries was practically equivalent.

Each state has tried to protect itself by shifting to others the consequences of a general situation; each has tried to push its exports and to reduce its imports to a minimum, this being indeed essential if it was

¹ Statement of the Danish Legation in London, 8th June, 1932.

² See p. 7 above.

to be able to ensure the service of the external debt. This policy might have produced results if it had been pursued by one country alone and if the others had accepted the situation. But, as each country was taking identical measures on a national basis, these measures neutralized one another. The result was—experience on this matter is conclusive—not only nil, but negative; it seriously increased the difficulties which it was desired to remove. In no case was the individual problem solved.¹

Representatives of the national committees of the International Chamber of Commerce, meeting in Paris on the 7th March, 1932, to inquire into the operation of foreign exchange restrictions, denounced them not only as restricting trade, but also as leading to an alarming and dangerous degree of state interference with private trading. The report particularly condemned bilateral clearing arrangements as an inadmissible form of indirect preference. The committee were of opinion that if choice had to be made between direct but temporary restriction of imports and their indirect restriction through exchange control the former was the lesser of the two evils.

(d) BARTER

The break-down of the ordinary processes of international trade, and the inability of the credit system at this period of crisis to solve the paradox of excess in producing countries side by side with want in consuming countries, forced the world to turn in despair to primitive barter. Several instances of international barter through governmental agency occurred during 1932. Naturally, the Soviet Government were in the best position to act in this way, and several barter agreements were negotiated for the exchange of Russian oil and other products for goods of which the Soviet Union had need. One of the most notable instances was the undertaking of the Aluminum Company of Canada to dispose of a quantity of Russian oil taken in exchange for large shipments of aluminium. A ban on certain Russian imports was in force in Canada and for some time it was doubtful whether the Canadian Government would allow the clearance of the oil cargoes, especially in view of the strong stand that they had taken over trade with the Soviet Union in their negotiations with the United Kingdom Government at the Ottawa Conference; but the threat of losing an order involving the employment of several hundreds of men was apparently sufficient to outweigh scruple. Towards the end of the year negotiations were afoot for a similar exchange of Russian coal and oil for Canadian cattle and hides. Another notable

¹ Report of the Stresa Conference for the Economic Restoration of Central and Eastern Europe (League of Nations Document *C. 666. M. 321. 1932. VII*), pp. 9 and 11.

example of barter was the agreement between a group of Bremen cotton firms, on the one hand, and the Banque Misr of Cairo and the Agricultural Credit Bank of Egypt, on the other, for the exchange of 20,000 bales of Egyptian cotton against an export of German nitrate ; there was no transfer of foreign currency, the Bremen cotton merchants merely crediting a sum in marks to the nitrate manufacturers. A further German effort on the same lines was the contract concluded between a coal-mining company of Duisberg-Ruhrort and the Brazilian Government for the delivery to the Brazilian State Railways of 350,000 tons of coal in the course of some six months, to be taken in direct exchange against additional German imports of Brazilian coffee. But a few isolated instances of barter, on however large a scale, could scarcely affect the whole body of international trade, with its complications and specialization, in a significant measure.

More important than these individual contracts were the numerous inter-governmental agreements, among European countries employing or suffering from measures of import control, for the exchange of particular commodities in specified amounts. Agreements of that kind had been concluded, up to the middle of 1932, between Germany and Hungary, Austria and Rumania, Bulgaria and Greece, Bulgaria and Switzerland, France and Latvia, Norway and the U.S.S.R., Poland and Austria, Hungary, Bulgaria, Estonia and Jugoslavia. With these might also be grouped the various compensation or clearing agreements, since their purpose was likewise to avoid direct payment for the goods exchanged.

(e) BILATERAL AGREEMENTS

In every year since the War, but especially after the restoration of Central European finances and the arrest of inflation, there was in Europe and elsewhere a large or small crop of bilateral trade treaties. Even 1932 was not without its harvest, though trade treaties of the ordinary kind were outnumbered by the special clearing agreements made by countries who were subjecting foreign exchange transactions to government control. The principle of such agreements was generally that exchange credits for the purpose of imports would be allotted by a joint clearing house in equal proportions to each of the two countries concerned, so that imports and exports between them would always just balance ; but there were numerous variations from the type. It was the policy particularly of Austria and Hungary to conclude these compensation or clearing agreements ; thus the former signed agreements with France, Germany, Hungary, Italy, the Netherlands, Switzerland and Jugoslavia ; while Hungary signed

agreements with Austria, Belgium, France, Germany, Italy and Switzerland. The last-named, and France, were among the countries who concluded agreements of this kind besides those already mentioned. The unsatisfactory working of clearing agreements, in that they hindered the ordinary processes of commerce and prevented the establishment of normal balances of trade in one direction or the other, was the cause of comment by the League's Financial Committee and by the Stresa Conference.

France was generally regarded at this period as one of the chief exponents of economic nationalism, and certainly the emergency quota restrictions, to which she resorted as a means of combating the fall of world prices and the depreciation of foreign currencies, formed a new and severe restraint upon her trade with other countries; yet during 1932 she negotiated, or attempted to negotiate, important agreements for the mitigation of the general tariff war. It must be recalled that her post-war tariff policy, dictated first by the menacing adverse balances of trade that she incurred up to 1925, was maintained and reinforced largely because her internal price level became further and further out of harmony with the world price level (partly, indeed, as a result of the tariffs themselves). While world prices were falling sharply, French price indices, especially indices of the cost of living, showed even a contrary tendency. This naturally caused extreme difficulties among the producers of goods like cereals and other farm products which were peculiarly exposed to the world price-deflation; and measures were accordingly taken to protect them. This, however, only created a new disequilibrium, for it raised the cost of living still further; hence manufacturers, faced with acute price-cutting in foreign markets, found their costs actually rising, and their employees clamouring for higher wages when wages elsewhere were being cut. The disequilibrium was tolerable so long as unemployment in France was negligible, and French industries, with the advantage of up-to-date plant and strong finances, were holding their own in world markets. By the beginning of 1932, however, neither of those conditions still held; exports had fallen disastrously, and unemployment was assuming threatening proportions. Hence a move to mitigate the tariffs and quotas that were strangling France's foreign trade steadily gathered force, and clearly affected government policy. In October the President of the newly formed French Union of Exporting Industries addressed a memorial to the Prime Minister, calling for reciprocal reduction of trade barriers by agreement with other countries, and especially denouncing the typically French policy of import quotas.

Some of the extreme cases of trade restriction (for instance, the quota on British coal) were, in fact, modified unilaterally from time to time by the French Government, and in August 1932 special agreements for the abatement of restrictions recently imposed on French goods, in return for equivalent concessions, were concluded with Belgium, Spain and Italy; but the most important efforts of France towards a new tariff policy in 1932 were made in relation to Germany and the United States. Negotiations on the question with the latter country were begun in 1931, and continued in a desultory fashion throughout 1932, with no very tangible result except an understanding that in fixing future quotas for the products of the United States the French Government would first ascertain the views of the American industries affected. In August 1932 matters were brought to a head when Mr. Walter Edge, the United States Ambassador in Paris, presented an *aide-mémoire* requesting the modification of existing quotas, and especially protesting against features of the recent Franco-Belgian agreement which the United States Government regarded as constituting unfair discrimination. The negotiations began to take a more realistic turn, but they were balked by a fundamental difference between French and American trade policies which gave the episode its greatest interest to the outside world. The French tariff, consisting of a general tariff and a minimum tariff (the latter accorded only to countries which had granted French exports advantageous treatment), was designed for the conclusion of discriminatory trade treaties; whereas the United States tariff law made no provision for any rate of duty below the general rate, only for an increase in the case of countries discriminating against American goods. This difference prevented the negotiations between the two countries from achieving any success in 1932, but the advent to power in the United States of the Democratic Party, with its specific policy of reciprocal trade agreements, gave grounds for hope that they would not eventually be abortive.

In February 1932 the commercial relations sub-committee of the Franco-German Economic Commission, which was set up under the terms of the trade treaty of 1927, negotiated a series of agreements for the more liberal operation of the quota system as between the two countries. This, however, was but the prelude to a general review of the 1927 treaty, which was begun in Berlin on the 21st November. There were two main reasons prompting the French Government to make this move: first, in the absence of Reparations the balance of trade in Germany's favour was considered excessive, and, second, the whole system of trade relations needed revision in

the light of the abnormal barriers other than tariffs that had been erected. Both countries wished, further, to secure the maximum of tariff freedom in view of their forthcoming, or possible, negotiations with other countries. The agreement, which was initialled on the 21st December, made certain modifications of tariffs and quotas, and established an exchange clearing arrangement, but its chief interest here lies in the modification effected in the most-favoured-nation clause. Most-favoured-nation treatment would be maintained in principle, along with fixed maximum charges on a number of tariff items, automatically accruing to other most-favoured nations. In future, however, either country might cancel any such fixed maximum charge at fourteen days' notice, and thus the signatories secured almost complete freedom in relation to each other or to other countries. In a statement on the agreement Monsieur Durand, the French Minister of Commerce, said that the most-favoured-nation clause would no longer hinder France in trade negotiations. Most-favoured-nation treatment would be granted only in individual cases and on a reciprocal basis. It was understood that the French Government had particularly in mind the application of discriminatory duties against countries with depreciated currencies.

Germany was engaged in other bilateral trade negotiations in the course of 1932, though not always with success. An attempt to end the long tariff war with Poland to the mutual advantage of the two countries failed,¹ as did negotiations with Sweden for the replacement of the trade treaty which was shortly due to expire;² it was reported that feeling in the Scandinavian countries was extremely resentful at the progressively more rigorous restrictions placed on their products in the interests of German agriculture, and hence was reluctant to accord most-favoured-nation treatment to Germany. The latter herself, in December 1932, declared her refusal further to accord most-favoured-nation treatment to Argentina in spite of the existence of a long-standing treaty between them, on the ground that Argentina had granted a number of tariff reductions to Chile, which she extended to Great Britain and other countries possessing most-favoured-nation treaties with her, but not to Germany, and that this was the deliberate policy of the Argentine Government. Attempts to reach a new trade basis with Great Britain did not achieve success until April 1933, when a temporary arrangement providing for reciprocal concessions on specific items was initialled. In January 1932 the Reich Government promulgated a decree

¹ See the present volume, Part IV, section (ii) (c).

² See p. 8 above.

authorizing the imposition of additional duties on goods coming from countries with whom Germany had no most-favoured-nation treaty. Among the countries in this category was Canada, with whom, at the end of the following December, a temporary agreement was signed, providing for mutual most-favoured-nation treatment for an initial period of three months. Canada would grant German goods the benefit of the intermediate tariff rates, while Germany would accord to Canada her conventional tariff, or the general tariff where no conventional rates existed.

This account of bilateral trade treaties in 1932 is far from inclusive, its intention having been merely to illustrate the trend of events. Perhaps the first observation to be made is the importance of the most-favoured-nation clause. Even if it did nothing else, the clause sufficed to prevent excesses of tariff restriction which might otherwise have been committed, and it therefore seemed irksome to countries anxious to heighten trade barriers or to indulge in discriminatory tariff warfare. Yet no most-favoured-nation clauses, and no bilateral tariff treaties of the traditional kind, could do much to stem the tide of economic nationalism, driven on by the effects of falling prices; for such agreements were almost undone by the imposition of prohibitive tariffs, by the addition to ordinary tariffs of anti-exchange dumping duties and surcharges, and most vitally by the employment of quota systems and exchange control, which made the former straightforward tariffs of Europe seem liberal by comparison. Thus new bilateral trade treaties, with or without most-favoured-nation clauses, had but a slight effect on the course and volume of world trade in 1932, nor in them alone could be found much hope for the immediate future.

(f) AGRARIAN PREFERENCE: THE STRESA CONFERENCE

The question of preference for the products of the agrarian countries of Europe has a history of several years' duration. It is unnecessary here, however, to go back further than the Second International Conference on Concerted Economic Action,¹ of the 17th to the 28th November, 1930, at which a committee was appointed to 'consider the question of negotiations regarding the trade of the agricultural states of eastern Europe with the states of central and western Europe'. What in fact the committee discussed was a joint proposal by the Governments of Bulgaria, Hungary, Poland, Rumania and Yugoslavia for the accordance of preference for their exports of grain by other European countries. The committee took no decision

¹ See the *Survey for 1930*, Part VI, section (ii).

on the question of principle involved or on the possibility of the application of the scheme, but reported its agreement on the following points.

(a) The system of preferences would have to be regarded as a conditional, exceptional and limited derogation to the most-favoured-nation clause, which must characterize the normal régime of international trade. It could only be established in agreement with countries enjoying most-favoured-nation treatment.

(b) Preferences would be accorded only for cereals and their derivatives.

(c) Preferential treatment should not harm the interests of overseas exporting countries, in as much as the latter were bound to be always the main providers of Europe.

(d) The preferential régime must not in any way endanger the protection of the agricultural interests of the importing countries, and should not in any case cause any injury to agriculturalists in European importing countries.

(e) The preferential régime would only be accorded for quantities to be limited by quotas or other methods.

(f) The demand for preference would not be made of those European countries which admitted cereals free of duty nor of those countries whose import duties were insignificant.

(g) If European countries, on being approached with a view to giving preference to cereals, were to demand an off-setting advantage amounting likewise to a customs preference, such preference would not be admissible without the consent of the interested countries enjoying most-favoured-nation treatment.

The Italian delegation, while noting these specifications for the preferential régime, affirmed their definite opposition to such a plan. It will be observed that the conditions, including the ban on injury to the agricultural interests either of the importing countries or of the extra-European exporting countries, would virtually nullify the effect of any proposed preferences, unless the cunning employment of quotas were somehow to overcome the inherent conflict of interests.

In execution of a resolution adopted by the Commission of Inquiry for European Union during its second session (16th to 21st January, 1931), a Conference of the grain-exporting countries of Central and Eastern Europe and of certain European importing countries was held on the 23rd February, 1931, to 'make a common effort to find means of disposing of the grain surplus' actually available in Europe. The Final Act of this Conference, signed by seventeen countries, noted that both the representatives of the countries which normally bought foreign wheat and those of the countries which did not import wheat, or did not usually import wheat from the countries under

consideration, were willing to participate to the utmost possible extent in the purchase of the available stocks. The Conference would not take upon itself to prescribe any practical solution, but 'the signatories, being prepared to reserve a certain proportion of their imports of foreign wheat for wheat originating in the countries under consideration, undertook to initiate, without delay, the negotiations necessary to enable those transactions to be carried out'. The importing countries were prepared to act likewise in regard to maize and barley, but the Conference reserved the examination of the question of rye and oats. What had thus been achieved was the acknowledgement of the principle of preference for European wheat, maize, and barley by the importing countries as well as by the clamorous exporters.

The Commission of Inquiry for European Union also set up a committee to consider the problems of the export of future harvest surpluses. This committee, which met on the 26th February, 1931, 'recognized that the disposal of surplus European cereals was not merely a European but a world problem, and that a wholly satisfactory solution could be reached only by an understanding between all the parts of the world concerned'. 'There is no over-production in Europe,' wrote the committee; 'there is over-production in the world as a whole.' On the subject of the preferential privileges requested by the exporting countries, the committee reported that the conclusions of the committee of the Conference on Concerted Economic Action (reported above) were still valid, and noted that practical attempts on the lines in question were shortly to be made by several European countries. The committee also turned its attention to other measures calculated to facilitate the regular disposal of the surplus cereals in question by improving the conditions of sale, in the fields of finance, organization, statistics, quality and transport.

The next events in the story, chronologically, were the International Wheat Conferences held in Rome on the 26th March, 1931, and in London on the 18th May. These Conferences failed to achieve their aim of securing a world-wide agreement on the production and marketing of wheat. At the London Conference a plan for the curtailment of production met with approval in principle from the leading delegations except that of the Soviet Union, whose policy was declared to be opposed to limitation of production though favourable to a system of export quotas; the latter project, however, did not meet with the consent of other important delegations.

But certain action had been taken bilaterally meanwhile. The Co-ordination Sub-committee of the Commission of Inquiry for

European Union, reporting in September 1931, affirmed once more the principle that bilateral agreements involving customs preference for grain should have the character of temporary and limited exceptions to the most-favoured-nation clause. The sub-committee, having examined the preferential arrangements agreed upon in the German-Rumanian Commercial Agreement of the 27th June, 1931, and the German-Hungarian Commercial Agreement of the 18th July, 1931, expressed the opinion that these were in keeping with the principles that had been laid down and that they fulfilled the specified conditions. The Greek Government submitted to the sub-committee a memorandum advocating the extension of special facilities to agricultural products other than grain. The ideas set forth in the memorandum were supported by a number of delegations, who also asked for the extension of the system to other products.

The Danubian customs preference plan, associated with the name of Monsieur Tardieu, was not designed purely, or even perhaps primarily, to assist the marketing of the agricultural surpluses of Central and Eastern Europe, but that was one of its aims, so that a brief account of it must be included in this section. Discussions with a view to relieving the plight of the successor states of the Austrian Empire by joint action had been going on among the Great Powers for some time, and it is difficult to assign the initiative to any one event or country. The discussions, however, took a more definite turn when on the 5th March, 1932, the French Government delivered to the British delegation at Geneva a memorandum containing suggestions for economic and financial reconstruction in the area in question. On the 16th February the Austrian Chancellor had warned the assembled Ministers of Great Britain, France, Germany and Italy that, while his Government were prepared to enter into negotiations with all countries for an economic *rapprochement*, they felt compelled to restrict imports as the only means of preventing inflation. The French proposal did not at this stage contain any cut-and-dried scheme, but when a Conference of the four Great Powers concerned was held in London at the beginning of April, Monsieur Tardieu put forward the following plan. The five 'Danubian' states—Austria, Czechoslovakia, Hungary, Yugoslavia and Rumania—should establish reciprocal preferences to the extent of one-tenth of existing tariffs. Certain other countries, including Germany and Italy, should grant the Danubian countries preferential entry for their agricultural products, without any direct compensation by way of counter-preferences. Third, a loan of \$50,000,000 should be raised on the guarantee of the countries in whose centres it was issued, and spent,

under international authority, for the protection of the budgets and the exchanges of the Danubian group.

This plan was rejected, and the London meeting proved altogether abortive, for a number of reasons. Neither Germany nor Great Britain viewed with favour a sacrifice of their most-favoured-nation rights without compensation in the way of more favourable terms of entry for their own manufactured products. Germany, still smarting from the sting of having to abandon the scheme for economic *Anschluss* with Austria, disliked a proposal which would have brought the latter more closely into another economic orbit, that of Czechoslovakia and the Little Entente. The British Government had to refuse agreement to any plan involving financial contribution or guarantee. Italy also, resenting in some measure the political implications of the plan, adhered to her preference for bilateral treaties. Nor were the Danubian countries themselves unanimous in their support for the plan. Austria in particular felt that too much favour was being shown to the agricultural as compared with the manufacturing countries in the group. In these circumstances any such device as the Tardieu plan was bound to be a failure.

Further bilateral agreements for preferences on cereals were entered into, however, though their entry into force was sometimes delayed by the opposition of third states enjoying most-favoured-nation treatment. Moreover, as the Stresa Conference rather ingenuously remarked, 'even if all these agreements were in force they would probably fail to achieve the most important result—namely, an increase in the home price in the producing countries'.

The Stresa Conference was the result of the appointment by the Lausanne Reparations Conference of a special committee

with the duty of submitting to the Commission of Inquiry for European Union at its next session proposals as to measures required for the restoration of the countries of Central and Eastern Europe, and, in particular:

(a) Measures to overcome the present transfer difficulties of those countries and to make possible the progressive suppression, subject to the necessary safeguards, of the existing systems of exchange control.

(b) Measures to revive the activity of trade, both among those countries themselves and between them and other states, and to overcome the difficulties caused to the agricultural countries of Central and Eastern Europe by the low price of cereals, it being understood that the rights of third countries remain reserved.

The committee sat at Stresa from the 5th to the 20th September, 1932, under the chairmanship of Monsieur Georges Bonnet. The following countries were represented by delegations: Austria, Belgium,

the United Kingdom, Bulgaria, Czechoslovakia, France, Germany, Greece, Hungary, Italy, the Netherlands, Poland, Rumania, Switzerland and Yugoslavia; while Latvia sent an observer.

The Stresa meeting was preceded by a Conference at Warsaw of the delegates of the eight agrarian countries of Central and Eastern Europe—Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Rumania and Yugoslavia. Agreement was reached there on the following points: (i) the progressive suppression of the obstacles to international trade; (ii) the assignment by the creditor states to the debtor states of import quotas sufficient to allow the latter to discharge their debts; (iii) customs preference in favour of the agricultural products of the eight states; (iv) the raising of the prices of agricultural products by means of an improved organization of the consuming markets. This epitomized the policy eventually put forward by the agrarian states at Stresa. Early in the course of the Conference the Polish delegates elaborated their proposals, adumbrating (i) the complete abolition of import and export restrictions and prohibitions, the abolition to be essentially associated with the grant of supplementary quotas to debtor countries; (ii) preferential treatment for cereals and livestock, in the form of a considerable reduction of customs tariffs; (iii) creation of a special fund for the liquefaction of bills 'frozen' owing to the difficulties of agriculture and connected industries.

Objection to these proposals arose mainly on three counts, namely, the demand of industrial states like Czechoslovakia and Austria that their products should be no less favourably treated than those of their agricultural neighbours; the insistence of certain of the importing countries, notably Great Britain and Italy, upon the retention of most-favoured-nation rights; and the refusal of the British delegates to subscribe to any plan for an international stabilization fund. The French, Italian and German delegations all laid schemes before the Conference. The French project, which was to take the form of a multilateral convention, included the grant of customs preference for cereals imported from the Danubian countries, and the establishment of a fund to which each importing state should contribute in proportion to the amount of its imports, with the aim of improving the market value of the cereals concerned. The introduction of the preferential system would have to be considered, first of all, by the oversea exporters of grain enjoying most-favoured-nation treatment. Italy, on the other hand, proposed a system of bilateral agreements for the purchase of grain from the Danubian countries. Each exporting country would receive, as a temporary measure, a subsidy pro-

portionate to its average export of cereals in the past three years, to be provided by a toll levied upon every European country on the basis of its total foreign trade. The grain-exporting countries in question would lower their customs tariffs to assist imports from other European countries and from the oversea countries. The German delegation agreed in principle to the French plan, but put forward an alternative in case the latter should be rejected. The German plan provided for a convention to be concluded between Germany, France, Italy, Austria and Czechoslovakia for the purchase of wheat, barley, forage and maize, under a preferential system involving reductions of tariffs, from Bulgaria, Hungary, Rumania and Jugoslavia, with whom they would make bilateral agreements. The agreements would be examined, and might be modified, by an international committee.

Ultimately, the Economic and Agricultural Committee of the Conference drew up a report which was unanimously accepted by the Conference in plenary session. The United Kingdom delegation, however, while in general approving the recommendations made, and in particular those which represented a step in the direction of removing obstacles to trade, drew attention to the special position of those countries, such as the United Kingdom, whose commercial policy did not include the imposition of quotas or heavy import duties on cereals; and they made reservations on behalf of His Majesty's Government in regard to participation in proposals involving financial contributions or guarantees. The committee's report was based on a draft multilateral convention, aimed at improving the price of cereals by a combination of the grant of preferences in bilateral treaties (subject to the rights of third states) and financial contributions to a special fund. The draft limited the preferences to be granted by the bilateral treaties or by collective action to the average quantities exported during the three years 1929-31. This limitation, the committee observed, was of great importance because it laid down acceptable limits to the concessions asked of European countries, while giving oversea countries an assurance that the production of cereals in Central and Eastern Europe would not increase behind the shelter of an unlimited preferential régime. Article 1 of the draft convention stated that signatory countries which were exporters of wheat, barley for fodder, maize, rye, barley for brewing, and oats, should 'receive facilities for their exports' within specified limits as above. Article 2 laid down that an aggregate sum of 75,000,000 gold francs (£3,125,000 gold) should be taken annually from the proceeds of contributions by the adhering states (as provided

for in the report of the Financial Committee of the Conference)¹ towards a general fund for the economic and financial reconstruction of Central and Eastern Europe, and should be used to promote the revalorization of cereals. The share to be contributed by each state would be reduced in proportion to the effective operation of whatever advantages it had granted to selling countries, by means of bilateral treaties for the importation of the above-mentioned cereals. (Germany would acquit herself altogether of her contribution through such bilateral treaties.) Article 3 provided for the setting up of a committee representing the adhering states, whose principal duty would be the award of shares in the aggregate sum to the different beneficiaries, according to the results of their harvests and the effective advantages they received under bilateral agreements. Article 4 dealt with arbitration. Article 5 declared that in compensation for these favours the beneficiary countries, 'desiring to co-operate with the other countries in introducing a liberal commercial policy and a moderate tariff policy', undertook to grant adequate concessions to the contributing countries by bilateral agreements, so far as compensation had not already been given. The advantages thus granted would in no case affect the rights derived by third countries from the most-favoured-nation clause, and would extend to all signatory states. Article 6 dealt with ratification; the convention would not be binding upon any signatory until it had been possible to put into force the various bilateral treaties. Article 7 provided that the convention should remain in force until the 31st October, 1935, unless world prices had previously reached a remunerative level.

When these proposals came before the Commission of Inquiry for European Union, at its session of the 1st October, under the chairmanship of Monsieur Herriot, their practical acceptance did not seem very probable. The British delegate once more expressed his Government's refusal to participate in financial guarantees, while opposition to the plan for the revalorization of cereals was also expressed by Monsieur Litvinov, for the Soviet Union, and by the representatives of most of the Northern European countries. The report of the Stresa Conference was then passed to the Council of the League, with a request for expert examination; three reservations were attached, one reserving the rights of third parties, a second releasing Governments from final decisions until definite schemes should be submitted to them, and a third incorporating with the minute to the Council all the other reservations that had been made in the course of the discussion. For good or ill, the plan for the

¹ See p. 93 below.

revalorization of cereal exports from Central and Eastern Europe was still bogged in the quicksand of committees and conferences at the end of 1932.

One of the obstacles, as has already been mentioned, was the resentment of countries not producing cereals at the special favour accorded to those products. The demand for the extension of preferential treatment to other agricultural products was repeated at Stresa. The Conference, however, while recognizing the 'primordial importance' of the crisis in the live stock and timber trades, felt bound for the moment to confine itself to cereals in order to give this experiment time to develop and prove its value. The conviction was also expressed that the Oriental tobacco question had assumed a particularly urgent character, but no recommendations were made cognate to those for cereals. Lastly, ran the report, there still remained the particularly important problem of Austria, whose exports were not mainly agricultural and who had to cope with particularly serious marketing difficulties.

(g) THE OTTAWA CONFERENCE

It does not beg any questions about the value of the Ottawa Conference in promoting or deferring world trade recovery to include the Conference among the efforts to escape from the toils of ever-rising tariffs. Undoubtedly in the popular mind, and explicitly in the mind of the Government, one of the chief reasons for the imposition of the British tariff was the need for a weapon with which to secure more liberal treatment abroad for Great Britain's exports; and what more favourable field for the exercise of such persuasion could there be than the British Commonwealth, in which pleas of commercial advantage could be reinforced with appeals to imperial sentiment? Imperialists of the narrower school demanded, in effect, preference for preference's sake, but by reason both of her political history in tariff matters, and her obvious economic interest, Great Britain, as a nation, sought at Ottawa an extension of preference from the Dominions essentially by means of a reduction of the latter's tariffs against British goods rather than by means of an enhancement of their tariffs against foreign goods.

This point of view was emphatically expressed by Mr. Baldwin, who led the United Kingdom delegation, both in his opening speech to the Conference and in a supplementary statement which was issued after Mr. S. M. Bruce had declared that the Australian people regarded the British preferences granted under the Import Duties

Act 'as a somewhat tardy response for the benefits from Australia long enjoyed by British industry'.

What then [asked Mr. Baldwin] should be the first aim of this Conference? It should be to clear out the channels of trade among ourselves. . . . There are two ways in which increased preference can be given—either by lowering barriers among ourselves or by raising them against others. The choice between these two must be governed largely by local considerations, but, subject to that, it seems to us that we should endeavour to follow the first rather than the second course. For, however great our resources, we cannot isolate ourselves from the world. No nation or group of nations, however wealthy and populous, can maintain prosperity in a world where depression and impoverishment reign. Let us therefore aim at the lowering rather than the raising of barriers, even if we cannot fully achieve our purpose now, and let us remember that any action we take here is bound to have its reactions elsewhere.

It is [he said in his supplementary statement] necessary to bear in mind that the percentage of duty charged on the value of the article is of great importance in assessing the value of a preference. A preferential rate of duty, if the preference is to be of material assistance, must not be so high as, in effect, seriously to restrict importation: and the United Kingdom delegation would urge upon the Dominions that the rates of duty charged should be so graduated as to give the products of the United Kingdom a reasonable chance of competing on equal terms, and that the rate of duty against United Kingdom products should be fixed for protective purposes no higher than is necessary to give a reasonably efficient industry in the Dominion a fair chance. In this connexion they desire to draw attention to the favourable tariff treatment which they have hitherto accorded to imports from the Dominions which compete with goods produced in the United Kingdom.

Indeed, in its sole general statement of principle the entire Ottawa Conference recorded its conviction:

That by the lowering or removal of barriers among themselves provided for in [the] Agreements the flow of trade between the various countries of the Empire will be facilitated, and that by the consequent increase of the purchasing power of their peoples the trade of the world will also be stimulated and increased.

From the international point of view, the results of Ottawa must be treated in relation to two questions, namely, how far did the agreements lower or remove the barriers against trade within the Empire, thereby justifying the above claim, and how far did they increase tariffs against the rest of the world, or threaten such diversion of trade from the rest of the world as would exacerbate the existing tendency to raise tariffs competitively in the scramble for trade. These questions the reader himself must answer, on the basis of the following summary of the agreements.

The agreements between the United Kingdom and the Dominions were to run for five years; that with India was made terminable on six months' notice given by either party. It may be noted that in the field of international commercial agreements five years is an exceptionally long term of currency without the possibility of denunciation. Great Britain undertook (a) to continue free entry for all Empire products already admitted free, (b) to impose fresh duties (i.e. to put on duties where none existed, or to increase actual duties, or to consolidate *ad valorem* into specific duties) on certain imports from foreign countries, notably wheat, maize, butter and cheese, canned and dried fruits, a number of raw fruits, copper, linseed and rice; (c) to regulate quantitatively imports of chilled and frozen beef and frozen mutton and lamb and (when the Commission on the reorganization of the pig industry should have reported) bacon and ham, with the aim of raising the wholesale price of meat in the British market to such a level as would maintain efficient production at home and in the Dominions, and of giving the latter an expanding share of British imports of meat; (d) to maintain certain existing preferences, i.e. by not reducing the existing duties on foreign imports of the commodities concerned; and (e) to perform certain other undertakings, chiefly regarding the consolidation of preferences on tobacco, South African wine and coffee, but including also an undertaking given to Canada that if the preferences granted or guaranteed at Ottawa appeared likely to be frustrated in whole or in part through state action on the part of any foreign country, the United Kingdom Government would exercise their powers to prohibit the import of such commodities from the country in question for so long as was necessary to make the preferences effective. In pursuance of this undertaking, the British Government on the 17th October gave six months' notice of denunciation of the 1930 commercial agreement with the U.S.S.R., which granted the latter most-favoured-nation rights.¹ The incidence of the new duties imposed on foreign imports under the Ottawa Agreements is shown first by the fact that the proportion of imports from foreign countries admitted free, which

¹ In April 1933, during the course of the trial of a number of British subjects on charges of counter-revolutionary activities in Russia, the British Government imposed an embargo on imports of the following commodities from the Soviet Union: butter, wheat, barley, oats, maize, poultry and game, raw cotton, petroleum and timber. The embargo was removed on the 1st July, 1933, on the release of the two British subjects who had been imprisoned as a result of the trial. The counter-embargo which had been imposed by the Soviet Government was withdrawn simultaneously, and negotiations for the conclusion of a fresh commercial treaty between the two countries were thereupon resumed.

was 83 per cent. before the various tariff measures were passed by the National Government, fell as a result of the Ottawa Conference from 30 per cent. to 25 per cent.; and second by the following table prepared by *The Economist*.¹

<i>Protective Duties before Ottawa</i>			<i>Protective Duties after Ottawa</i>		
Percentage of Foreign Imports Taxed at			Percentage of Foreign Imports Taxed at		
10 %	11-20 %	Over 20 %	10 %	11-20 %	Over 20 %
32.9	15.3	4.6	28.3	21.8	7.7

The countries on whom the new duties fell particularly onerously were Denmark, Holland, Belgium, Sweden, Italy, Finland, Poland and Chile, while Argentina stood to lose most trade through the regulation of meat imports.

The concessions granted by the Dominions and India in exchange for these favours differed in each case, but at the outset mention must be made of the common undertaking entered into by Canada, Australia and New Zealand. They promised, first, to give tariff protection only to those industries which were reasonably assured of sound opportunities of success, and, second, to keep or reduce protective duties to a level which would give United Kingdom producers full opportunity of reasonable competition on the basis of the relative costs of economical and efficient production, provided that special consideration might be given to the case of industries not fully established. In Canada and Australia these conditions would form the terms of reference to independent tariff boards, before whom British producers should henceforward have the right of stating their case, while in New Zealand the agreement would be implemented by the Government directly, British producers again being given a hearing. The above principle of the 'compensatory tariff', which incidentally was the theoretical basis of the United States tariff schedule, was regarded by some as the most important feature of the Ottawa Agreements and as the one most calculated to secure a liberation of trade by reducing Dominion tariffs, despite the obvious fact that if it were rigorously carried out it would consume the mutual advantage of international trade altogether, rendering the latter redundant and impossible except in cases of dumping. Certain commentators pointed out that the application of the same general terms to three Dominions with varying scales of tariffs would tend to bring about a reduction of duties, since the Dominion with the lowest existing rate of duty would establish a criterion of economical and efficient production for the others. The further principle,

¹ Ottawa Supplement, 22nd October, 1932, p. 7.

that exporters should be heard before a revision of a tariff was carried out, was also of considerable general importance in connexion with international trade relations. However, even by the middle of 1933, no general review of the tariff in accordance with the terms of the agreement had been accomplished in any of the three Dominions.

All that can be related here concerning the specific changes in Dominion tariffs is the measure in which they involved a raising of tariffs against foreign countries. Australia undertook to apply a general formula for the guarantee of minimum British preferential margins, rising to 20 per cent. *ad valorem* preference where the duty on United Kingdom goods was over 29 per cent. *ad valorem*; the application of this formula resulted in the majority of cases in an increase of the general tariff. The Lyons Government was in any case pledged to the removal of the prohibitions and the grosser features of high protectionism that characterized the Scullin tariff. On 132 items in the Canadian schedule, which covered 215 items in all, there would be a reduction of the duties on United Kingdom goods (accompanied in some instances by a simultaneous raising of the foreign duty), while in respect of the remainder increased margins of preference were to be secured for the United Kingdom by means of advances of the general tariff.

It has been estimated, on the basis of 1931-2 imports into Canada, that the British preferential tariff would be reduced to zero in categories of which total imports were \$31,200,000, including \$8,300,000 of British goods; that the preferential tariff would be otherwise lowered in categories of which total imports were \$58,900,000, including \$37,400,000 British; and that the foreign tariff would be raised in the case of \$35,100,000 of total imports, including \$8,800,000 British. The total trade affected by the schedules was thus \$70,700,000 of foreign goods and \$54,500,000 of United Kingdom goods in 1931-2, representing roughly 22 per cent. of Canada's total imports. To estimate how much trade might be diverted as a result of these changes—a point on which there was considerable dispute during the course of the Conference itself—would be merely to guess, but the diversion might be put at a maximum of one-third of the foreign trade affected, namely, \$24,000,000 odd, the United States being of course the chief loser.

The specific changes in the New Zealand tariff related only to four items, confectionery, clothing, hosiery, and silk and rayon piece goods, on all of which the British preferential duty would be reduced. South Africa undertook (a) to grant new or increased preferences on a brief list of manufactures, in most cases partially at least by means

of an increase of the general tariff, (b) to impose new duties on certain foreign piece goods of cotton and rayon, and underclothing, leaving the existing British preferential tariff unchanged, and (c) not to lower existing margins of preference on a lengthy list of British manufactures. Newfoundland, whose tariff was primarily revenue-producing and not protective, promised a preference of 10 per cent. on 61 classes of goods, with the qualification that the preference might be reduced if it resulted in a loss of revenue. The Indian Government undertook to give a $7\frac{1}{2}$ per cent. preference on motor-cars, omnibuses, and accumulators, and to give a 10 per cent. preference on a long list of manufactured goods, to be secured either by an increase of duty on foreign goods or by a reduction of duty on British goods, or by a combination of both. It has been estimated that in 1930-1 the volume of imports in the categories affected by this undertaking amounted to £32,000,000, of which £12,700,000 were already imported from Great Britain. Southern Rhodesia promised increased margins of preference on electrical and radio material, typewriters, cutlery and glassware (in some cases inevitably by dint of an increase of the foreign tariff), as well as minimum specific duties on foreign cotton, silk and rayon piece goods.

Perhaps the most satisfactory feature of the Dominions' concessions, from the point of view of liberation of trade, was the undertakings in respect of surcharges and other abnormal hindrances to British trade. Australia promised to repeal as soon as possible the proclamation of May 1932, prohibiting certain imports, to remove as soon as practicable the surcharges imposed at that time, and to reduce or remove the primage duty as soon as the finances of the Commonwealth would allow. Canada promised to ensure a minimum of uncertainty, delay, and friction in connexion with tariffs, and to provide machinery for the prompt and impartial settlement of disputes; to abolish surcharges on United Kingdom imports as soon as possible and to consider the ultimate abolition of the exchange dumping duty on United Kingdom products. New Zealand undertook not to increase the existing primage duty of 3 per cent. on United Kingdom goods which were otherwise duty free, and to remove it as soon as financial conditions permitted.

Without attempting to compute the extent of each factor, we may observe that the Ottawa Agreements resulted in a certain measure of liberation of trade within the British Commonwealth, a certain measure of increase of British tariffs against the rest of the world (including an aggravation of the United Kingdom tariff), and some diversion of trade from outside to within the British Commonwealth.

The effects of these phenomena on international trade and commercial relations generally could only be judged after lengthy experience of the actual operation of the agreements; but it is possible to make some comment on the reaction of Ottawa upon Great Britain's potential ability to use her tariff to secure the reduction of foreign tariffs. That this use was, from the first, officially contemplated was shown by the terms of Clause 7 of the Import Duties Act, which provided for the reduction of duties, upon the recommendation of the Board of Trade, on the goods of any specified country, presumably one which accorded reciprocal advantages to the United Kingdom. Now under the Ottawa Agreements the concessions that Great Britain could make for the benefit of foreign countries (except, of course, an undertaking not to increase existing duties) were limited for a period of five years in respect of all commodities for which the agreements provided a minimum general rate of duty or a minimum rate of preference where the preferential rate was already zero. This list of commodities included several, such as butter and timber, which were of particular interest to countries most likely, on account of the closeness of their trading relations with Great Britain, to offer her advantageous reciprocal terms. Further, the Ottawa Agreements would certainly prevent the entry of Great Britain into a free trade or very low tariff group, or any agreement like the Belgo-Dutch Convention for the progressive reduction of mutual tariffs to a low level. The admission of foreign countries to the whole preferential system enjoyed by members of the Commonwealth would be ruled out by a resolution of the Ottawa Conference affirming that while each Government would determine its particular attitude in its treaty relations towards other countries, the different delegations recorded their policy 'that no treaty obligations into which they might enter in the future should be allowed to interfere with any mutual preferences which Governments of the Commonwealth might decide to accord to each other, and that they would free themselves from existing treaties, if any, which might so interfere'. In accordance with this resolution the South African trade treaty with Germany, which promised the latter the benefit of any preferences that might be subsequently granted to Great Britain, was abrogated at the instance of the South African Government.

Finally, the Conference deliberated the policy to be adopted by nations of the British Commonwealth towards the most-favoured-nation clause in commercial treaties, and decided that whereas each participant would still act independently in its relations with foreign countries, and on its own judgment, their unanimous policy was

that most-favoured-nation rights must be strictly upheld, against the tendency to modify them in respect of limited preferential groups, but that no claim could be countenanced to participate in the mutual preferences within the British Commonwealth, on the part of a foreign country pleading its most-favoured-nation rights.

(h) OTHER MULTILATERAL ACTION: THE BELGO-DUTCH CONVENTION

After the World Economic Conference of 1927 gave warning of the pressing need for a reduction of tariffs throughout the world, attempts to carry out its resolutions took two main forms, multilateral or universal negotiations (the International Conferences on Concerted Economic Action) and bilateral commercial agreements. It could assuredly be claimed that the World Economic Conference, the work of the Economic Committee, and other efforts under the auspices of the League of Nations had encouraged a more far-seeing and more internationalist attitude among the nations of Europe than they would otherwise have had in their commercial relations, but a glance at the world's tariff systems in 1932—or even before the acute financial crisis drove country after country to emergency measures of trade restriction—proves that the attempts were on the whole a failure. The abortive efforts of the Conference on Concerted Economic Action to establish a 'tariff truce' have already been described in this series.¹ For the failure of bilateral treaties, based, as the World Economic Conference recommended, on the most-favoured-nation clause, to achieve any appreciable general reduction of tariffs, a number of reasons must be adduced. First of all came all those obstacles inherent in the nature of protective tariff systems—the vested interests sheltering behind them and the difficulty of exchanging the advantage of one industry, manufacturing principally for the home market, for that of another industry seeking larger markets abroad. Then there were political reasons—the widespread fear of war or blockade which rendered the countries of the world unwilling to sacrifice economic independence, however dearly bought; as well as the political antagonisms between pairs or combinations of countries (Germany and Poland, for instance) which hindered the conclusion of commercial treaties among them. Possibly, too, as the sub-committee of economic experts mentioned below suggested, another reason was the want of any clear conception of the ultimate goal. 'In the absence of such a conception to act as a guide as well as an encouragement, tariff reduction, whether by general agreement or by means of bilateral treaties, appeared in the light of a bargaining

¹ See the *Survey for 1930*, Part VI, section (ii).

arrangement and not of a step towards a new and better system of international economic life.' As far as Europe was concerned—and that was the limit of its terms of reference—the sub-committee declared that 'the ultimate goal must be the widest possible collaboration of the nations of Europe in the sense of making Europe a single market for the products of any and every country in it'. Finally, the most-favoured-nation clause itself acted as a brake, since countries were reluctant to enter into reciprocal arrangements one with another for the mutual reduction of tariffs, knowing that the advantage of any such reduction would also be enjoyed by third parties who had granted no counter-concession, by virtue merely of their possessing most-favoured-nation rights. Thus, while the general application of the most-favoured-nation clause acted as a brake on the upward movement of tariffs and checked tendencies towards catastrophic tariff wars, it certainly was a hindrance to the conclusion of limited arrangements for the reduction of tariffs among groups having some geographical and economic unity—a risky procedure in normal times, but one which offered some hope in the days of ever-growing restrictions on international trade during the world depression.

This question was the one that most exercised the sub-committee of economic experts, appointed in accordance with a resolution of the 28th May, 1931, of the Commission of Inquiry for European Union, 'to examine in complete freedom and in a spirit of liberal understanding all means which might seem calculated to bring about closer and more profitable co-operation between the different countries with a view to improving the organization of production and trade'. The sub-committee held two series of meetings under the chairmanship of Dr. Trip (Netherlands), and signed its report on the 29th August, 1931. The experts affirmed that they did not wish in any way to modify 'the general basis of the most-favoured-nation clause, which must remain the essential safeguard of normal commercial relations between the nations', adding that if any of the agreements which they contemplated were in any way to affect the rights of third parties under that clause, such agreements could not come into force until an understanding had been reached with those non-contracting parties. They thought, however, that cases might arise in which European or non-European countries which were not parties to the agreements in question might, without prejudice to their individual interests, be willing to agree to some modification of their rights in view of the benefits likely to accrue to the world in general from the growing prosperity of Europe as a whole which such

agreements were designed to promote. What was clearly in their mind was a limited preferential agreement for the mutual and perhaps progressive reduction of tariffs, most probably among low-tariff countries.

From the economic point of view, they agreed, the *rapprochements* which they envisaged should be subject to the following conditions:

(a) The groups of countries which they affected should be such as to ensure that they were in conformity with the general interest and contributed to the general progress of Europe. (This was really a reservation intended to rule out disturbing semi-political accords. The sub-committee was working under the shadow of the Austro-German customs union dispute, which affected the attitude of several of the delegations.)

(b) They must not injure the interest of other countries, but must, on the contrary, tend to encourage economic intercourse with them.

(c) They must as far as possible include the free movement of individuals, goods and capital, and indeed all forms of economic activity, so that a fair balance might be established between sacrifices and advantages.

(d) If they were to lead to treaties or agreements different from the ordinary commercial treaties:

(1) These must be open to accession by all countries prepared to conform with the obligations which such treaties or agreements entailed.

(2) They must provide for the granting of the stipulated advantages to non-signatory countries which should accord equivalent advantages, whether by treaty or by virtue of their own autonomous policy.

The sub-committee added that the peril implicit in the diversion of trade through the conclusion of any economic agreements could be avoided only if they were such as to initiate a movement for the reduction of tariff barriers generally. Moreover, they should be as far as possible of a permanent character.

If, said the economic experts, the understandings envisaged were to take the form of customs unions, then they would achieve the desired results only if they took into account the situation of countries not prepared to participate. Among the latter (to paraphrase the report) would be countries whose tariffs were too high and those whose tariffs were too low—the former being unwilling to abolish their tariffs on the products of the participating countries, and the latter being unwilling to raise their tariffs against the rest of the world to the level established by the customs union. As for the first group, progress must be sought either by an extension and improvement of the actual system of commercial treaties, or by the conclusion of general agreements for preventing the increase of trade

barriers, such as the abortive Tariff Truce. As regards the second group (the sub-committee plainly having its eye on Great Britain, where a few days previously the first National Government had been formed, and a 'revenue tariff' seemed a probable contingency), it was wrong that they should be denied the chance of participating in agreements for the abolition of mutual tariffs in Europe, or that the price of their participation should have to be the increase of their tariffs to the level of the other participants. Clearly, indeed, their present liberal policy might 'serve as a basis upon which greater freedom for international commerce throughout the world as a whole could be built'—perhaps a desperate prayer to the British Government. It was therefore desirable that any European group or nation which was willing to extend the freedom of its market by the inclusion of free-trade or low-tariff countries should be permitted to do so, subject to agreement in regard to the fiscal duties of the parties concerned (in other words, they might be allowed to retain duties at a level and of a kind intended for the production of revenue).

The experts went on to consider the place of international industrial agreements (cartels) in the furtherance of trade, and elaborated their advantages and their dangers, which it was the duty of individual states to obviate. Subject to certain conditions, industrial combines might lead to a community of interests which would tend to create a favourable atmosphere for commercial negotiations, 'and to bring about that reconciliation for which the public in all countries is so eager'. Some of the delegates expressed the view that agreements among producers might one day come to transcend and obviate tariff barriers generally. It may be noted here that the policy of direct industrial co-operation (rationalization, or complementary production) was powerfully advocated by British industrial interests, preparatory to the Ottawa Conference, as the best means of enlarging and improving trade within the British Commonwealth, and that an understanding between the iron and steel producers of the United Kingdom and Canada—the 'Montreal Pact'—was the basis of the new Canadian tariff schedule in the iron and steel sections as incorporated in the Ottawa Agreements.

Considerable space has been devoted to the work of the sub-committee of economic experts because it represents the considered and unanimous opinion of a group of economists, bankers, business men and others representing the countries of Europe, upon a new or growing tendency in international commercial relations, and their guidance towards what seemed the most hopeful method of securing a liberation of European (and by the same token world) trade, having

regard to the failure in practice of other means. Their views, however, were not in every case precisely in accord with those of their respective Governments. The British Government, in their published commentary on the report, declared that they had always held that customs unions proper must necessarily constitute an exception from the most-favoured-nation clause, but that, as for economic *rapprochements* not amounting to complete customs unions, such as regional tariff preferences, they remained of the view that it would cause conflict with the whole spirit of the most-favoured-nation clause if it were open to any countries to conclude arrangements with each other which they did not extend to other countries. This difference of opinion was the cause of the resignation of Sir Walter Layton from the preparatory committee for the World Economic Conference, in October 1932, for Sir Walter, who had been the British delegate to the meeting of economic experts, found himself too much at variance with the Government's conservative attitude towards the most-favoured-nation clause (except, of course, as concerned preferential agreements within the British Commonwealth) to continue as his country's representative on the preparatory committee.

The British Government had had occasion, meanwhile, to give practical expression to their attitude in this matter. The possibility of an understanding among the low-tariff countries of Northern Europe for mutual reductions of tariffs had been exposed by the conclusion of the Oslo Convention of December 1930 (entering into force on the 7th February, 1932), whereby Norway, Sweden, Denmark, Holland, Belgium and Luxembourg (who was in customs union with Belgium) undertook for one year not to raise their mutual tariffs without first consulting each other,¹ but it was generally recognized that the strained financial conditions of 1931 and 1932 greatly handicapped further progress in that direction. It was something of a surprise, therefore, to the outside world when it was announced, on the 20th June, 1932, in the course of the Lausanne Conference on Reparations, that the Governments of Belgium, Luxembourg and the Netherlands had initialled a Convention for the progressive reduction of the tariffs on each other's goods by 10 per cent. of their amount per annum. The conversations which led up to the signature of this agreement had included the other participants in the Oslo Convention, but the Scandinavian countries, all of whom had suffered exchange depreciation since Great Britain's relinquishment of the Gold Standard, preferred to postpone any action until economic conditions were more settled—perhaps until they had investigated the possibilities of a

¹ See the *Survey for 1931*, p. 154, footnote 2.

tariff understanding with Great Britain. In a covering statement, the Belgian delegation to the Lausanne Conference stated that the Convention was based upon principles formulated on various occasions by the League of Nations—presumably those embodied in the report of the economic experts' committee quoted above. In particular, while the advantages accorded by the Convention were reserved to the states taking part in it, any other state might adhere to it on a footing of equality with the three signatories. The announcement was accompanied by the publication of a vigorously worded appeal by the King of the Belgians for the reduction of barriers to trade throughout the world.

The text of the Convention of Ouchy-Lausanne was not published until the 3rd August. According to Article I, the contracting parties pledged themselves not to increase customs duties existing between them above their actual level, nor to establish duties not already existing. They further agreed not to proceed to any protective increase of their customs duties, nor to any establishment of new protective duties applying to the merchandise of third states to whom they were bound by commercial conventions, unless those states, by a further raising of customs barriers or obstacles to trade, should cause serious prejudice to the signatories. Article II provided for the progressive reduction of customs duties, in the signatories' reciprocal relations, by 10 per cent. of their existing rate per annum, beginning with an immediate cut of 10 per cent. and ending four years later, by which time the duties would be one-half their former rates. Duties would in no case be reduced below a rate corresponding to 4 per cent. *ad valorem* for semi-manufactured products and 8 per cent. *ad valorem* for entirely manufactured products. While reserving the right to make certain exceptions, the contracting parties undertook in Article III not to apply between them any new prohibition or restriction to import or export, or any new measure of regulation which would have the effect of hampering their reciprocal exchanges. But should those exchanges be seriously disturbed by abnormal circumstances, each of the parties would have the right to limit its exports or imports, provided the quota fixed should be not less than 100 per cent. of the average quantities exported or imported during normal years. Further, the contracting parties agreed to abolish, as soon as circumstances should permit, in their reciprocal relations, all existing measures of prohibition, restriction, or regulation, with specified exceptions. By Article V they undertook to apply to their reciprocal exchanges the unconditional and unlimited régime of the most favoured nation. The Convention was concluded for a period

of five years (Article VII); thereafter it would remain in force, for those who had not denounced it, from year to year. Article VIII laid down that any third state would have the right to adhere to the Convention, on a footing of equality with the signatory states, and moreover that so long as third states, without adhering to the Convention, nevertheless observed its provisions in fact, they would be admitted to the benefit of the conventional régime.

Not merely was the Convention favourably received by public opinion in the participating countries, but it was followed by an agitation for the establishment of a complete customs union among them. A referendum on the subject was held by the Netherlands Chamber of Commerce in Belgium, and, out of nearly 1,100 replies received from Chambers of Commerce and other representative institutions, industrialists, merchants and bankers in Belgium and Holland, no less than 87 per cent. were favourable to a tariff union, support being almost equally divided between the two countries.

The official attitude of the British Government towards the Convention was that their own policy in respect of their commercial treaty relations with foreign countries must await the outcome of the Ottawa Conference, but that meanwhile they must insist on the preservation of their most-favoured-nation rights unimpaired. This insistence, which would, if generally followed, have defeated the purpose of the Convention altogether, was not pressed in practice, in spite of its reaffirmation, as recorded above, at the Ottawa Conference. There was no hint that the British Government contemplated entering into any such multilateral, or even bilateral, agreement with foreign countries; and when it was announced, on the 17th October, that they had invited the Danish, Norwegian and Swedish Governments to open conversations in London on tariff matters it was semi-officially reported that no question of treaty revision would be raised, but that agreements would merely be sought within the framework of present trade treaties. The agreements concluded early in 1933, indeed, entailed no alteration of principle in Great Britain's trade relations with the Scandinavian countries, but provided only for adjustments, generally in the way of greater freedom of trade, on a limited number of items. It may be observed that the use of the quota system to regulate British imports of certain foodstuffs enabled the British Government to grant exclusive concessions to a few countries without violating most-favoured-nation treaties, at any rate according to a strict interpretation of their terms.

(i) THE WORLD ECONOMIC CONFERENCE

Full description of the origin and work of the World Economic Conference, held in London in June 1933, must be reserved for a future volume of the *Survey*. All that needs to be done here is to mention it briefly in its place as one of the attempts to escape from the toils of tariffs and other trade restrictions. The Lausanne Conference was summoned to discuss not only Reparations, but also 'the other economic and financial difficulties which are responsible for, and may prolong, the present world crisis'. The length of time expended upon a Reparation settlement, and other practical obstacles, prevented full performance of this part of the Conference's task, but besides appointing the Stresa Committee the Conference appended to its Final Act an Annex (Annex V) embodying a decision to invite the League of Nations to convoke a World Conference on monetary and economic problems, and recommending, in the meantime, an examination of these problems by a committee of experts, to consist of two representatives of each of the six inviting Powers of the Conference, three financial and three economic members nominated by the League Council, two financial members appointed by the Bank for International Settlements, and representatives of the United States, should that country accept the invitation to participate.

As early as the 31st May the State Department at Washington had issued a statement referring to inquiries by the British Ambassador as to whether the United States would be willing to take part in 'an international conference for the purpose of considering methods to stabilize world commodity prices', the suggestion being that the Conference should be called by the British Government in London. The Administration had replied through the United States Ambassador in London that it felt that an early convocation of such a Conference might be of real value. The manner, however, in which the proposal for a World Economic Conference emerged from the Reparations Conference, suggesting that one of the primary subjects for discussion would be the system of inter-governmental War Debts, caused considerable anxiety and embarrassment to the United States Government, who were reluctant to include on the agenda not only War Debts, but likewise tariffs, and who wished to concentrate on the monetary and financial aspects of the problem; hence, when the matter was brought before the League Council by Sir John Simon on the 15th July, it was made to appear rather as an independent initiative than as a reference from the Lausanne Conference. A preparatory commission of experts was duly set up, and the United

States Government agreed to nominate members, but with the stipulation that Reparations, War Debts, and tariff rates should be excluded from the agenda. The triumph of the Democratic Party at the presidential elections in November, however, foreshadowed a change of policy in respect of tariff questions, and in fact the preparatory committee could by no means avoid their consideration. Tariffs and trade treaty policy, as well as non-tariff restrictions on international trade, formed an important part of the draft annotated agenda which they submitted to the League Council on the 19th January, 1933.¹ Among other questions under that general head, the Commission addressed themselves to the problem of the most-favoured-nation clause and of possible exceptions thereto. Further, they urged that the success of the Conference would depend in great measure on the vigour with which the participating Governments entered upon preliminary negotiations before the Conference actually met. A proposal for a 'tariff truce' to be observed before and during the Conference was put forward by the United States Government a month before the opening of the meeting, and was readily accepted by Great Britain and other countries represented on the Organization Committee of the Conference.

(iii) Debts and Defaults.

By H. V. Hodson.

(a) TRADE, TARIFFS, AND FINANCE IN 1932

The description in the *Survey for 1931* of the origins and development of the world economic depression laid particular stress on the part played by international debts in the upset of trade and the decline of prices. Briefly, the cessation or curtailment of international lending forced the debtor countries to achieve active balances of trade, both by restricting imports and by promoting exports, in order to pay the obligations incurred in respect of earlier indebtedness; the enhancement of international competition, aided by necessary measures of deflation in the debtor countries, forced down prices throughout the world. The fall of prices obviously need not have been so severe, nor the subsequent derangement so disastrous, if the creditor countries had been willing to adjust their economies by accepting in goods or services the fruits of their former lending; but, unable as they were smoothly to effect such an adjustment, and fearful as they were of aggravated foreign competition with their own industries, they rendered the situation worse by defending themselves

¹ League of Nations Document, C. 48. M. 18. 1933. II.

with tariffs and other restrictions against the influx of goods from the debtors. The latter in their turn were compelled to resort to ever more stringent measures of control of external trade, sometimes to official monopolies of foreign exchange transactions; but these measures, being mutually combative, were doomed to failure, and the next stage, which was reached, generally speaking, in the latter half of 1931 and which extended over the whole of 1932, was characterized by the failure of the debtors to meet the service of their debts in full, the establishment of Standstill Agreements limiting the withdrawal of short-term credits, and the defaults of Governments on the service of the public debt. How much worse the tale would have been had not President Hoover intervened with his plan for a year's moratorium on inter-governmental debts arising out of the War, it is possible only to guess.

Naturally the fall in prices aggravated the difficulties of the debtor countries, who were forced to find a steadily growing volume of exports in order to pay a constant debt in terms of money. 'By the beginning of 1932, the average fall in gold prices in those countries which had adhered to the Gold Standard was about 30 per cent. from the levels ruling in December 1929 or 30-35 per cent. from the average of that year. This estimate of a 30-35 per cent. fall in gold prices between 1929 and 1932, however, is calculated from national price indices, which include many commodities that are relatively sheltered in domestic markets. If those commodities which are the subject of competitive trading by well-informed buyers and sellers in organized world markets are taken, the fall is much greater . . . Their gold prices dropped in this period by 55-60 per cent.'¹ As far as debtor countries were concerned, even this estimate might not represent the full measure of their difficulties, because the prices of their products, being mostly raw materials and foodstuffs, fell faster than those of the manufactured articles that they had to buy; but even the lower figure of 55 per cent. for the drop of gold prices in less than three years would mean that the volume of exports needed to yield a given sum in gold currencies increased by over 120 per cent. between 1929 and 1932. Countries which abandoned the Gold Standard did not suffer quite so great a fall of prices expressed in terms of local currency; but the greater part of international indebtedness outside the British Empire (with the principal exceptions of the sterling debts of Greece, Egypt, Turkey, China and Latin America) was expressed in terms of gold or of Gold Standard currencies. It is small wonder, under these circumstances, that many countries found it

¹ *World Economic Survey, 1931-32.* (League of Nations, Geneva, 1932.)

impossible to meet their international obligations for interest and sinking fund in full, whether on public or on private debts. At the 1st June, 1932, according to the Council of Foreign Bondholders, the total of sterling loans which were officially quoted on the London Stock Exchange, and which were in default upon interest or sinking fund payments, was £137,906,000. Unpaid interest upon that principal sum totalled £9,650,000, and unpaid sinking funds £8,360,000. Defaulted dollar loans in the same category totalled \$11,182,000, on which the unpaid interest amounted to \$9,868,000 and the unpaid sinking funds to \$2,460,000. On this calculation, London had suffered the non-payment of about £12,000,000 on a principal sum of about £140,000,000. These figures did not include the defaults of Russia and Mexico, on account of their long duration, nor that of the Federal Government of Brazil, since although all the interest payments on Brazilian Government loans had been suspended, bondholders were receiving payment in scrip which possessed a certain market value. The list was confined, moreover, to the obligations of foreign Governments and Municipalities. The Foreign Policy Association published a list of loans in default by Governments, states, and cities at the 1st January, 1932, which (omitting Russia) totalled \$2,679,007,000, the amount of interest outstanding being \$1,095,465,000. The scope of this computation was very much wider than that of the Council of Foreign Bondholders, but in the difference between them is to be read some indication of the greater success of London, compared with New York, in international investment.

According to the Economic Section of the League of Nations, from September 1931 to July 1932 (this being the critical period of governmental defaults), the following countries established moratoria on their external public debt service: Brazil (September), Bolivia (October), Hungary and Uruguay (December), Chile and Salvador (March), Greece, Latvia and Jugoslavia (April); and the following countries established official moratoria on the service of external commercial debt: Uruguay (September), Germany (February), Chile, Salvador and Jugoslavia (March). Apart from the countries mentioned, Bulgaria found it necessary to restrict releases of exchange for the discharge of commercial debt, and to suspend partially the transfer of the service of the public debt into foreign currencies; and Austria imposed, in May 1932, a general transfer moratorium applicable to all external debts and affecting even the League Loan of 1923. No detailed review of these various defaults can be undertaken here, attention necessarily being concentrated on Germany, as the centre of the War Debts problem and as by far the most important country

in the list, and on the four countries with which the League of Nations particularly concerned itself in this matter—Austria, Bulgaria, Greece and Hungary.

(b) GERMANY

The account in the *Survey for 1931* of Germany's problem of private international debts ended¹ with a brief mention of the Standstill Agreement of January 1932. That agreement prolonged for a further twelve months, with certain modifications, the contract that was due to expire on the 29th February, 1932. New opportunities were given to short-term creditors to exchange their credits for long-term investments, under guarantee that such investments would be retained in Germany for a period of years. As far as reimbursement credits were concerned, every foreign bank would have the right to demand a 10 per cent. reduction of its claims on the 1st March, 1932, but repayment would only take the form of the extinction of unused credit lines. The amount and time of further repayments would be considered, in the light of the foreign exchange situation, every three or four months, by representatives of the creditor banks, the Reichsbank, and the various debtors. The Reichsbank undertook that it would do its best to provide foreign exchange, but should it be of opinion that that was impossible without courting danger, it would notify the creditors, who would then be at liberty to cancel the agreement.

The first of these Conferences between debtors and creditors was held in London from the 1st to the 5th July, 1932. Arrangements were made to ensure that the preferential reduction of 10 per cent. of all credits, which had not yet been fully carried out, would be completed by the end of the year. As for further reductions, beyond those called for in connexion with preferential rights, it was agreed that the matter should be considered at the next meeting. Outside the official agenda, the possibility of a reduction of interest rates was discussed. There had been considerable agitation in Germany for the reduction of interest charges, in view of the easy money conditions generally ruling in creditor markets, and indeed the Reichsbank was refusing to release foreign exchange for payment of interest in excess of 7 per cent. The rate payable on the rediscount credit that had been granted by the other Central Banks to the Reichsbank was reduced early in the year to 6 per cent., and this the German authorities urged should be regarded as the normal maximum. According to the German press, in April 1932 the English banks were already

¹ See the *Survey for 1931*, pp. 239–40.

charging 6 per cent., the Dutch, Swiss and American 7 per cent., and the French 8 per cent., as a rule, on their respective standstill credits. At the July Conference it was agreed that the delegates should recommend to the bankers' committees in their respective countries the application to German credits of a lower schedule of interest rates. Political and financial agitation for further reductions, however, continued in Germany, and at the next Conference with the creditors, in January 1933, the latter consented to accept still lower rates. Apart from the vexed question of interest rates, the Standstill Agreement worked quite satisfactorily, the chief improvements desired by the creditors being fuller rights to demand repayment of individual debts in marks, so as to liquidate bad debts, and a corresponding extension of liberty to reinvest in Germany the 'blocked' marks thus made available.

These issues were prominent in the negotiations for the renewal of the Standstill Agreement which took place in Berlin in February 1933. As a result of the agreement then signed, any creditor would have the right thenceforward to demand repayment of his debt, in reichsmarks and in quarterly instalments, to the amount of 50 per cent. in the case of cash credits and between 10 and 30 per cent. in the case of commercial credits. The reichsmarks must be invested in Germany for at least five years, or they might be used for financing 'additional' exports or tourist traffic. The creditors also obtained a general repayment of a further 5 per cent. of outstanding credit lines, while in return further interest reductions averaging $\frac{1}{2}$ per cent. were to be recommended to the several national bankers' committees. By this time, that is to say about a year and a half since the signature of the first Standstill Agreement, the volume of the debts covered by the standstill had been reduced to three-quarters of its original amount of approximately Rm. 5,000,000,000 (£250,000,000). From time to time, furthermore, the Reichsbank had effected partial repayments of its international central banking credit of \$100,000,000, which had been periodically renewed, not without considerable disagreement between creditors and debtor regarding the conditions imposed. In April 1933 the whole of the outstanding balance of the credit was repaid, but as the operation was effected only at the cost of a great depletion of the Reichsbank's reserves against currency, it may be legitimately regarded as largely a political gesture.

Another move in the consolidation of German short-term indebtedness was made when a Standstill Agreement, covering the short-term debts of German public bodies, was signed in Berlin on the 9th April, 1932, by representatives of the debtors and of English, Dutch,

Swedish and Swiss banks. The agreement covered foreign credits to a total of Rm. 247,000,000 (about £12,000,000 at par), whereof some Rm. 200,000,000 was due from German states and the remainder from municipalities. It provided for a 'standstill' until the 15th March, 1933, an immediate 10 per cent. repayment, and interest at 6 per cent. subject to a minimum of 2 per cent. above current bank rate in the respective creditor countries. Creditors who had been repaid more than 10 per cent. of their claims since the 1st July, 1931, were not to share in the 10 per cent. repayment, while for their part the debtors agreed, in order to avoid discrimination between German and foreign creditors, that they would not repay more than 10 per cent. of any of their internal short-term debts during the life of the agreement. The creditors should have the right to denounce the agreement if for any reason the Standstill Agreement for private short-term debts should cease to hold good.

In the course of the year several German public debtors were forced to default on the service of their debts, but this was primarily a matter of internal finance, not of difficulties with the provision of foreign exchange. On the 1st January, 1933, there occurred the first instance of default on a German public loan raised abroad. The seven biggest cities of the Bavarian Palatinate, which had created a collective twenty-year 7 per cent. loan of \$3,800,000 in 1926, found themselves unable to provide the sum of Rm. 600,000 required for the amortization payment due on that date. The cities attributed their financial distress to the general economic crisis, to the growing burden of unemployment relief, and to their inability to obtain financial assistance either from the Reich or from the state of Bavaria. This failure of the Government to intervene in the interests of German credit abroad was particularly regretted in German financial circles. It may be guessed, however, that the central authorities were not unwilling to accept any opportunity of relief from the necessity of providing funds in foreign exchange, since the strain upon the exchange resources of the Reichsbank was proving very severe. According to the Institut für Konjunkturforschung, Germany earned in 1932 a surplus of Rm. 1,100,000,000 (£55,000,000 at par) on her foreign trade, and £10,000,000 from services, but she had to pay out £40,000,000 more than she received in interest¹ and £10,000,000 on Reparations account, leaving only £15,000,000 available for capital

¹ Since the equivalent net interest payment in 1931 had been £65,000,000, the reduction of the interest burden through falling money rates and through progressive redemption of capital was almost precisely equal to the total of capital repayments effected during 1932.

redemption. An additional sum of about £12,500,000 was taken from the gold and foreign exchange holdings of the note-banks, making a total of £25,000,000 to £30,000,000 released for capital repayments abroad during the year. It was most unlikely, according to the signs of the times, that an equal amount would be available for the purpose in 1933, and that fact alone indicated the likelihood of further defaults on long-term loans.¹

Indeed, the economic conditions in Germany, having their inevitable consequences in the political sphere, were far from improving. The volume of unemployment (which was at all times more subject to seasonal movements than unemployment in Great Britain), stood at some 5,500,000 at the beginning of the year, and rose to a peak of 6,129,000 in March; it fell again during the summer months, but by the end of 1932 once more exceeded 5,500,000. Here was a ready instance of the fact that the achievement of a positive balance of foreign trade could be no insurance against heavy unemployment. The Government made several vigorous attempts to deal with the problem. A bold and comprehensive scheme, effecting virtually a mortgage on future public finances in favour of present relief, was announced by Herr von Papen at the end of August. First of all, a large programme of works, for which £17,500,000 (at par) had already been found, would be continued and extended. Second, the provision of employment would be subsidized by the payment to employers of a premium of £20 per head for each new employee signed on, up to a total of £35,000,000, in the form of negotiable certificates valid for the payment of taxes. This idea was carried further in the third part of the scheme, which provided that in receipt for certain taxes, which weighed particularly heavily on industry, taxpayers should be given promissory notes bearing 4 per cent. interest. These notes might be discounted with the Reichsbank, or otherwise negotiated, or they might be retained for payment of taxes, to the extent of one-fifth of their face value per annum.

¹ On the 8th June, 1933, the Reichsbank announced that as from the 1st July a transfer moratorium would be imposed on the service of all Germany's external debts except those incurred after July 1931, and those coming under the Standstill Agreements. After consultation between Dr. Schacht and representatives of the creditors, the following terms of the moratorium, to apply from the 1st July to the 31st December, 1933, were announced:

1. The interest and amortization on the Dawes Loan would be transferred in full.

2. The interest on the Young Loan would be transferred in full.

3. The amortization payments on the Young Loan and all other loans would not be transferred.

4. Half, but at most at the rate of 4 per cent. annually, of all coupon and other revenue payments falling due would be transferred.

between the years 1934 and 1938. The Chancellor indicated that the ready money which it was hoped would accrue to the Government through this scheme would be used exclusively for the renewal and overhaul of the German productive machine. The Government's expectation was, further, that the promissory notes, by providing potential borrowers with suitable collateral security, would liberate idle funds for the use of industry. The fourth part of the scheme invoked a supposed elasticity of demand for labour. The Government, acting through compulsory arbitration and collective wage agreements, would endorse reductions of wages up to a maximum cut of $12\frac{1}{2}$ per cent., on condition that the employers in question increased their staffs by at least 25 per cent. The total sum hypothetically involved in the whole programme, including public works, tax rebates and premiums, was stated to be Rm. 2,700,000,000 (£135,000,000 at par); and the number of unemployed which (it was officially hoped) might thereby be absorbed was 1,750,000. The failure to make any large impression upon the unemployment figures up to the end of the year is sufficient testimony to the want of success of the plan. For one thing, trade unions effectively resisted attempts to cut wages further;¹ but the main explanation must lie in the generally depressed state of trade and in the psychological attitude of business men, who were unwilling to accept further risks through expansion of activity even at the premium offered by the Government. In December a special Cabinet meeting considered the menace of rising unemployment figures, and decided to proceed immediately with an expenditure of £30,000,000 on public works. £5,000,000 of this sum would be drawn from the Unemployment Fund, the remaining £25,000,000 being covered by unused taxation vouchers under the von Papen programme, which would be placed at the disposal of local authorities for the financing of public works. Apart from these governmental efforts, the Reichsbank endeavoured to stimulate industry by reducing its discount rate (by stages from 8 per cent. on the 9th December, 1931, to 4 per cent. on the 22nd September, 1932), and generally by pursuing as liberal an internal credit policy as its resources allowed.

Meanwhile two important steps had been taken to reorganize German economic life under crisis conditions. The first was the reconstruction of the big banks. Up to 1929, when the Deutsche Bank and the Diskontogesellschaft merged, there had been five great deposit banks in Germany, known as the D-banks: the above

¹ The average fall in German money wages over the two years 1931-2 was in the neighbourhood of 25 per cent.

two, the Dresdner Bank, the Darmstädter und Nationalbank (or 'Danat'), and the Commerz und Privatbank (or 'Compri'). It will be recalled that the German financial crisis of July 1931 began with the failure of the 'Danat' bank, and that the Dresdner Bank was soon involved in similar difficulties, both of them having to receive temporary financial aid from the Reich Government through the Reichsbank. On the 22nd February, 1932, a scheme was announced for the merging of these two great banks. As far as the Dresdner Bank was concerned, its reserve fund would be cancelled and its ordinary capital written down in the ratio of 10 to 3; the preference share capital of £15,000,000 (gold) which had been provided by the Reich during the crisis would be written down in the ratio of 3 to 2, and would be converted into ordinary shares. The Reich would further provide cash resources through the rediscount of a portion of its shares by the Gold Discount Bank, and would also furnish a reserve fund of £1,500,000. The 'Danat' bank had to be even more liberally treated. The reserve would be cancelled, and the remaining share capital exchanged for Dresdner Bank shares, which would be provided by the Reich out of its holding. In order to write off the losses of the 'Danat' bank, the Reich would also provide a reserve of £5,000,000 for the new merger, which would be known as the Dresdner Bank. The reorganization of the remaining two great banks was not so drastic. Shares of the 'Compri' would be written down in the ratio of 10 to 3, and fresh capital would be raised, as to £2,250,000 by sale of shares to the Gold Discount Bank, and as to £625,000 in exchange for shares of a big provincial bank, the Barmer Bankverein, which was to be absorbed. The Reich would provide a reserve of £1,500,000 in the form of pledgeable securities, but this contribution was to be repaid according to a definite schedule. In the reconstruction of the Deutsche Bank the Reich did not participate even to that extent. The bank's share capital would simply be reduced in the ratio of 10 to 4, and then doubled (raising it to £7,200,000) by the issue of new shares, initially to the Gold Discount Bank but eventually on the open market. Besides these financial operations, changes would take place in the managing personnel of all the banks concerned.

It was announced some time later by the Reich Finance Minister that the total obligation of the Reich resulting from the banking reconstruction was Rm. 1,115,700,000 (roughly £55,000,000), made up as follows: cost of purchasing bank shares, Rm. 338,500,000; repayable loans to the banks, Rm. 307,200,000; advances regarded as lost, Rm. 185,000,000; and guarantees, Rm. 285,000,000. The

total did not include Rm. 400,000,000 (£20,000,000) of foreign credits advanced to the 'Danat' bank, for which the Reich was still liable under its general guarantee given in July 1931.

The other notable piece of economic reorganization accomplished during 1932 in Germany was the scheme for the state support of the great shipping companies. On the 19th March it was announced that the Hamburg-Amerika ('Hapag') and Norddeutscher Lloyd lines, which together controlled over three-quarters of the German mercantile fleet, would receive from the Reich Government a guarantee for credits to a total of Rm. 77,000,000 (£3,850,000 at par). About Rm. 24,500,000 would be used for the prolongation of maturing liabilities, Rm. 46,400,000 for new credits for the liner business which would be furnished by a banking syndicate and by the Akzept-und-Garantiebank, and the remainder (some Rm. 7,000,000) for credits for the tramp steamer business. The guarantee was granted on condition that the syndicate which had previously granted the shipping companies credits to the amount of Rm. 140,000,000 undertook to prolong them until the 28th February, 1933, and to limit the interest to the Reichsbank rediscount rate.

For their part, the 'Hapag' and Lloyd companies would reduce their share capital in the ratio of 10 to 3, which transaction, together with the cancellation of reserves, would produce a book profit of about Rm. 180,000,000 in each case, to be used for covering losses and depreciation. They also undertook to reinforce the measures of economy that they had already introduced so as to produce an estimated saving of Rm. 45,000,000 (£2,250,000) per annum. The reorganization scheme was to be associated with the provision by the Reich Government of Rm. 23,000,000 (£1,150,000) for 'breaking-up bonuses', that is to say, subsidies on the scrapping of old vessels. In this and in other ways there continued during 1932 the progressive 'socialization' of German industry and finance, conducted by Governments not of the Left, but of the Right, under the pressure of economic circumstances in which public credit was the only refuge from private bankruptcy.

(c) AUSTRIA

The affairs of the Credit-Anstalt, the largest bank in Austria, whose collapse was the first and critical event of the international financial crisis of 1931¹, continued to play a vital part in Austria's external financial relations. A capital reorganization scheme, promulgated on the 14th May, 1931, failed to arrest panic, and a month

¹ See the *Survey for 1931*, pp. 208-11, 240.

later the Government guaranteed all the liabilities of the bank, including the external liabilities, which were guaranteed in return for an undertaking from the foreign creditors that for the space of two years they would refrain from enforcing their claims. In November 1931 the Austrian Government concluded an agreement with the representatives of the foreign creditors for the complete reorganization of the bank, under an executive committee of five, three of whom would be nominated by the Government, and one by the creditors' committee, the chairman being the general manager, whose appointment would have to secure the approval of the creditors' committee. The scheme for internal reorganization was modified in the course of its passage through the Federal Parliament, with considerable reduction in the economies that were to have been effected in the heavy working expenses of the bank. After considerable delay, in February 1932, Dr. van Hengel, late Manager of the *Amsterdamsche Bank*, accepted the post of general manager of the *Credit-Anstalt* and chairman of the executive committee. One of his first acts was to draw up a plan for the reconstruction of the bank, its essential feature being the liberation of the *Credit-Anstalt* from the greater part of its liabilities to foreign creditors. In exchange, the National Bank and the foreign creditors were to accept annuities from the Austrian state representing a portion only of their legal claims, but the foreign creditors would obtain, in compensation, part of the share capital of the reconstructed bank. Efforts to secure the acceptance of this plan met with little success. In May 1932, when representatives of the foreign creditors conferred with the Austrian authorities, the Government offered to pay off the creditors in 40 annuities representing between 20 per cent. and 30 per cent. of the debts, but this proposal proved altogether unacceptable to the international committee. However, later in the year an agreement was initialled, based on the van Hengel scheme and providing also for strong co-operation between the foreign creditors and the management of the *Credit-Anstalt* in the protection of the foreign assets of the bank. In its report of January 1933, the Financial Committee of the League of Nations pointed out that the problem of reducing the working and administrative costs of the *Credit-Anstalt* and the other Austrian banks was still a very urgent one, which had yet to be definitely faced and solved.

Meanwhile, the general external economic position of Austria was deteriorating. In view of the drain on the foreign exchange resources of the National Bank, a system of control of foreign exchange transactions was instituted in October 1931 and was gradually tightened

up. Nevertheless, the exchange reserves continued to drop, as the following table shows.

RESERVES OF THE AUSTRIAN NATIONAL BANK
(in millions of £ gold)

<i>At the end of each quarter.</i>		<i>Gold Reserve.</i>	<i>Foreign Exchange.</i>	<i>Total.</i>
1931.	I	6.2	18.4	24.6
	II	6.2	10.2	16.4
	III	5.5	5.8	11.3
	IV	5.5	3.7	9.2
1932.	I	5.2	1.7	6.9
	II	4.3	1.2	5.5
	III	4.3	1.1	5.4
	IV	4.3	1.1	5.4

These reserves included the credits granted by the Bank of England (to the Austrian Government) and by the Bank for International Settlements (to the National Bank) when the crisis first began. Towards the end of 1932, when confidence in the finances of Austria was being steadily restored, the restrictions on foreign exchange dealings were somewhat relaxed.

In January 1932 the National Bank notified certain short-term creditors of Austrian concerns that it could not undertake to supply foreign exchange for the repayment of the principal of short-term credits. The Financial Committee of the League of Nations, taking cognizance of this development and recognizing its inevitability, recommended an extension of the veto to all such short-term payments, coupled with the conclusion of a Standstill Agreement with the foreign creditors. The last part of the proposals proved very difficult to achieve, but was eventually carried out. Even so, the reserves of the National Bank continued to fall, and on the 9th May the Government of Dr. Dollfuss, which had just succeeded the Buresch Administration, addressed a note to the League of Nations calling attention to the scarcity of foreign exchange and urging that the League should advise as to whether exchange should continue to be allotted for the service of external debts. It was essential, in order to avoid injury to Austria's financial reputation, that competent authorities, including the League, should admit the justification for discontinuing such service. The foreign exchange assets of the National Bank, explained the Chancellor, at that time consisted almost wholly of the credits granted by the Bank of England and the Bank for International Settlements, and it would be contrary to the understanding on which

the credits were granted to allow the reserves to become exhausted. Moreover, it might prove impossible to obtain even those imports absolutely necessary for the population of Austria. The League Council, in reply, expressed itself generally in favour of a relief loan to Austria, and referred the plea to the Mixed Committee of Treasury Representatives and members of the Financial Committee. At the end of May, the Italian Government instructed their Ambassadors in London, Paris and Berlin to call attention to the serious plight of Austria and to urge that the international consideration thereof be accelerated. But the situation in Austria was too critical even for such delay as occurred. On the 23rd May the Government decided that the transfer of debt service must be suspended, and from the 23rd June no releases of foreign exchange for settlement of obligations for interest or amortization were made by the National Bank. This applied to all debts alike, including the League Loan of 1923, but it must be noted that a reserve fund for the payment of interest on that loan was available, under the terms of the international statute; and that the Austrian Government had provided the currency for the repayment of principal a year in advance, so that the instalment of sinking fund due in December 1932 was already in hand. Furthermore, the transfer of the monthly instalments for the service of the League Loan was resumed in January 1933, and the coupon of the 1930 Investment Loan, on which no default had yet occurred, was also paid then in foreign currencies.

A special meeting of the Mixed Committee was held at Lausanne during the Reparations Conference, and decided upon the character and terms of an international loan to Austria. A full description of this loan and subsequent events connected with it is given in a later section.¹ On the 1st September, before the Anglo-American Press Association in Vienna, Dr. Dollfuss declared that the Austrian Government were determined to pay all their debts. Interest on all public and private loans would be paid into the National Bank in schillings, and the exchange required for the resumption of interrupted transfers would be furnished as soon as possible, out of the proceeds of the new loan or from other resources.

The status of the Standstill Agreement was obviously modified by the transfer moratorium. Between the end of August 1931 and the 20th January, 1932, when the original Standstill Agreement expired, over one-half of the short-term banking debts, amounting to 33,687,000 schillings, had been repaid under the terms of the agreements. The renewed contracts, however, provided for a cessation of

¹ See pp. 84-7 below.

capital repayments, and between the 20th January and the end of June the amount outstanding had been reduced only from 16,046,000 schillings to 15,214,000 schillings. The Transfer Decree of the 15th July, as the League representative in Austria remarked, altered fundamentally the conditions under which the Standstill Agreements had been concluded, since their particular object had been precisely to enable Austria, by postponing capital repayments on her short-term debt, to continue the service of her long-term liabilities. Certain foreign banks were consequently inclined to look upon the transfer suspension decree as a breach of the Standstill Agreements, but they refrained from taking any definite action or reprisals. Negotiations for the renewal of the agreements, which again expired on the 20th July, were successful only in securing an agreed postponement of capital repayments until January 1933, no agreement being reached regarding the payment of interest and commission into the special transfer suspense fund which the decree had established at the National Bank.

It remains to add some details regarding the financial position of Austria. In respect of the Federal Budget she made a big effort under League advice and supervision. In 1929, with receipts at £58,200,000 (gold), the accounts showed a small surplus, but by 1931 expenditure had risen to £67,400,000, receipts having remained almost constant. The estimates for 1932, however, again showed a small surplus, with receipts still at approximately the same figure, namely, £57,900,000. The actual results for the year provided a deficit of about £1,000,000.

The foreign trade figures exhibited no such recovery. In 1929 there was an inward balance of £31,000,000 on a total external commodity trade amounting to £158,000,000. By 1931 imports had been cut from £94,000,000 to £62,000,000, but exports had fallen from £63,000,000 to £38,000,000, so that there was still an inward balance of £24,000,000. During 1932 there was a deficit of £18,000,000 on a total trade which had shrunk to £63,000,000. Austria's exports were chiefly manufactured articles, and her trade was especially handicapped by the protective efforts of her neighbours. The external public debt at the 31st December, 1931, was £49,000,000 (gold), requiring in 1932 £3,200,000 for interest and £2,100,000 for amortization, a total of £5,300,000. Other external debt amounted to £48,000,000, not including the debts of industrial, commercial, or other non-banking undertakings, or debt secured on short-term mortgage bonds; the service of the £48,000,000 required £3,200,000 to £3,400,000 in 1932. Thus the position was that quite apart from

direct commercial debt Austria owed at least £8,500,000 per annum for external debt service, and had £18,000,000 less than nothing with which to pay it.

(d) HUNGARY

Hungary was one of the first countries in Europe to exhibit the symptoms of a thoroughly diseased financial economy, and to resort to the remedial measures which, regarded internationally, were almost worse than the disease. After the failure of the Austrian Credit-Anstalt in May 1931, there was a swift withdrawal of foreign credits from Hungary, accompanied by signs of waning internal public confidence in the national currency. Extraordinary measures of financial defence were thereupon enforced. A three days' bank holiday was declared in July, and the withdrawal of bank deposits was temporarily limited. All foreign exchange transactions were centralized at the National Bank, while at the same time the declaration to the Bank of all liabilities and assets in foreign currency was made compulsory. A very remarkable scheme, introducing the so-called gold-pengö, was adopted in order to restore the confidence of internal creditors. The equivalent, in ordinary pengö, of the new gold-pengö (the initial ratio being one to one) was to be determined and published daily, on the basis of the London price of gold and the National Bank's quotations for cheques on London. Assets arising out of transactions which had already been concluded would be taken as expressed in gold-pengö (at the rate of one gold-pengö to one pengö), whereas assets under later contracts would be in gold-pengö only if so specified on the contracts, except that all savings accounts and current accounts at banks would be automatically expressed in gold-pengö, and so would all taxes, and all public salaries and pensions. This device, designed to prevent a panic flight from the currency by creditors to whom debts in pengö were owing, obviously effected no change in the amounts of debts or of other financial accounts so long as the pengö was nominally maintained at gold parity, as it was; but if the exchange rate had fallen the country would have been faced with a double currency system, with a fluctuating exchange rate between the money of account (the gold-pengö) and the money of payment and exchange (the pengö). It may be noted that the principle of such a dual money was embodied in certain plans which were being widely propagated at the time, in Great Britain and elsewhere, as a means of escape from, and defence against, trade depressions—the proposal being that the money of account should have a constant purchasing power. But the Hun-

garian plan was really the reverse of this patent prescription, since the money of account would be tied to gold while the money of exchange might itself possess the more stable purchasing power.

Budgetary trouble accounted for much of the distrust shown by Hungarian investors. The financial year ending on the 30th June, 1931, produced a deficit of 117,000,000 pengö (£4,200,000) in the national accounts, and for 1931-2 a deficit of 175,000,000 pengö (£6,300,000) was in sight. Under a law adopted on the 6th August, 1931, the Government amended the budget in consultation with a commission representative of all the political parties, and by dint of cuts in expenditure and increases of taxation nominally produced a small surplus. Events, however, proved that the estimates were still too optimistic.

As has been noted above, concentration of exchange dealings in the hands of the National Bank was enforced in July 1931; these transactions were thenceforward concluded on a gold parity basis. To begin with, restrictions were placed on releases for payment for imports, but not on those for settlement of interest or sinking fund accounts; under this régime, however, a slow but steady drain of foreign exchange reserves took place. On the 7th September, 1931, the Hungarian Government addressed a letter to the Secretary-General of the League of Nations, requesting the League to examine the financial situation of the country by means of expert inquiry. Consequently, a delegation of the League's Financial Committee, under the chairmanship of Monsieur Suvich, arrived in Budapest on the 8th October and reported on the 24th October.¹

It may well be [wrote the delegation] that the ultimate cause of the budget deficit and of the depressed economic situation is not domestic but external—namely, the world depression—the repercussions of which have been particularly severe on a country so largely dependent as Hungary is upon the production and export of wheat, the world price of which to-day is only about a quarter of what it was in 1925. But the Hungarian difficulties have been aggravated by a scale of expenditure in recent years in excess of revenue, by excessive and often unproductive foreign borrowing and by insufficient credit control. The final solution of difficulties arising from over-borrowing cannot be sought in further borrowing, and, moreover, even were the problem such as to find its appropriate solution in the raising of a foreign loan, the condition of the world markets renders such an operation at the moment improbable.

The Financial Committee felt that the measures that had been so far taken to reduce state expenditure had been insufficient, and that the total should be brought down to a level more proportionate to

¹ League of Nations Document C. 749. (i) 1931. II A.

the contributive power of the country. The Hungarian Government were induced to declare to the Financial Committee their determination (*inter alia*),

(a) To re-establish budget equilibrium for the rest of the current budget year.

(b) To reduce state expenses in 1932-3 to a maximum of 830,000,000 pengö (£30,000,000) — compared with a revised budget figure of 918,000,000 pengö for 1931-2.

(c) To secure equilibrium in the budgets of all state undertakings.

(d) To transfer certain of their industrial undertakings to private hands.

(e) To take effective measures to control the expenditure of local authorities.

(f) To ask the Financial Committee of the League to appoint a representative to reside in Budapest until the Council of the League should have become satisfied that the financial stability of Hungary was assured. (In accordance with this decision, Mr. Royall Tyler, formerly deputy commissioner of the League of Nations in Hungary, was promptly appointed.)

(g) To abandon their efforts to maintain artificially the domestic price of wheat.

(h) To furnish regular information to the League and to the public on the progress of budgetary reforms and the condition of the state finances.

(i) To revise the general banking legislation in consultation with a representative of the Financial Committee.

(j) In order to avoid excessive borrowing in the future:

(i) to assure that the specific previous authorization of Parliament should be obtained by the Minister of Finance for every individual guarantee granted by the state for loan operations of the local authorities, the semi-public and private institutions.

(ii) to enforce their power to control borrowings at home and abroad by state undertakings and local authorities, to limit such borrowings to strictly productive purposes, and to consult the National Bank before consenting to any such loans abroad.

(iii) to concert with the National Bank measures to secure that any transaction involving foreign liabilities in excess of, say, 2,000,000 pengö (£70,000) should be brought to the previous notice of the National Bank.

The Financial Committee described the steps proposed as eminently desirable, but they doubted whether the budgetary totals were not still too high, and recommended that expenditure be cut to a maximum rate of 800,000,000 pengö (£29,000,000) per annum as from the 1st November. The state budget for 1931-2 actually showed a deficit of 160,000,000 pengö, and a further deficit of 150,000,000 was in prospect (January 1933) for the next financial year, despite the fact that expenditure estimates had been reduced to 806,000,000.

The Financial Committee were sharply critical of Hungary's position in respect of external debt, declaring that while the direct total indebtedness of the state could not be considered excessive, the debt of the whole community of Hungary had been increased in the past six years at a rate which the real needs of the country did not warrant. The Committee admitted that time and effort were required to open new channels of trade in order to make up for the alteration of financial movements, and that Hungary was subject to special difficulties through her reliance on wheat exports (which, with wheaten flour, had formed one-fifth of her total exports in 1929); but they expressed considerable optimism regarding Hungary's capacity to create and maintain an active balance of trade.

The Committee adversely criticized the National Bank for its 'unwillingness to apply the normal remedy for the protection of its reserves by increasing its discount rate'. They drew attention to the previous incapacity of the Bank to direct the credit system of the country, on account of its want of control over borrowing from abroad; this, however, had since been remedied by the control of foreign exchange operations. (It may be observed, in passing, and as a point of general interest, that if the above comment of the Financial Committee was sound, then, by analogy, Central Banks in creditor countries like Great Britain or the United States could not have possessed proper or complete authority over their respective credit systems so long as the time, character, and volume of the export of capital was beyond their control.) In the opinion of the Committee it was essential that the stability of the pengö should be maintained, but if this was to be done, and foreign obligations for interest were to be met, then exchange operations must be so controlled as to restrict imports to an indispensable minimum. Such a restriction of imports implied in its turn a contraction of internal credit, in the absence of which a rise of prices would be inevitable. While they recognized that it was not possible for Hungary to meet all the maturities of her short-term debt as they fell due, wherefore they urged the conclusion of Standstill Agreements, they considered that she should make every effort to meet the service of her long-term foreign debt in full.

For some months the efforts of the National Bank and the Government to pay the service of the external debt were continued, but the supply of foreign exchange began to prove inadequate. The total annual charge on Hungary's foreign debts, short and long term (reported Mr. Royall Tyler), had been estimated at approximately 300,000,000 pengö (£11,000,000). Between the date when exchange

dealings had been concentrated in the hands of the National Bank (17th July) and the end of the year the Bank had sold 201,000,000 pengö of exchange, 114,000,000 of which had been for debt payments, for which purpose further payments had doubtless been made by banks and others who were in possession of the necessary exchange. During the same period, the Bank had bought only 195,000,000 pengö of foreign exchange, of which 88,000,000 pengö came from the proceeds of a Treasury bond issue in August, and 17,000,000 pengö from exchange holdings abroad which had been compulsorily surrendered.

On the 23rd December a decree was promulgated embodying a partial, and potentially a total, moratorium on the transfer of external debt payments into foreign exchange. The amounts becoming payable on all debentures and bonds, as well as on the interest of Treasury bills issued by the Hungarian state, might not be paid to foreign creditors, but must be deposited in pengö at the National Bank. Amounts so deposited would be remitted to a special foreign creditors' fund, in so far as transfer into foreign currencies could not be executed 'without endangering the continuity of the country's economic life or other vital interests'.

In an accompanying *communiqué* the Hungarian Government declared that they proposed to apply the foreign currency at their disposal in the first place to the service of the 7½ per cent. State Loan of the Kingdom of Hungary, 1924 (the League Loan), and then, so far as the supply of foreign exchange permitted, to the secured relief loan; the interest or discount on the secured Treasury bills; the service payments for the Caisse Commune, the Austro-Hungarian State Railway, the Danube-Save-Adriatic Railway; the payments to be made under the London Protocol of the 11th August, 1931;¹ the service payments of the pre-war loans of the city of Budapest under the Ostend Agreement of the 14th August, 1925. Further, for the purpose of preserving the commerce of the country, the Government would authorize the National Bank to sell to Hungarian nationals foreign exchange for the purpose of meeting interest or discount and commission on short-term debts to bankers and others, and of giving effect to the appropriate standstill arrangements which the Government intended to propose to the different short-term creditors.

Protracted negotiations were conducted with the short-term creditors during the next six months. At the beginning of March 1932,

¹ i.e. payments under the Hague Reparations Settlement as adjusted in accordance with the Hoover Moratorium.

a Standstill Agreement was reached with the British creditors, according to which interest and commission on the short-term debts would be deposited for the time being in pengö, except where the creditor banks were prepared to continue debiting their Hungarian debtors with these sums in the form of overdrafts. Guarantees were demanded and given that Hungary would follow a foreign exchange policy (for instance in respect of clearing agreements) such as would render it impossible for preference to be accorded to any particular group of creditors. Prolongation of maturities was to continue on these terms until the 1st August, 1932. A similar agreement was reached with representatives of the American banks concerned at the end of June. Extensions of these arrangements were subsequently negotiated. It was estimated that the total foreign short-term indebtedness of the Hungarian banks was about £22,000,000, of which about £7,000,000 was owing to American and £4,000,000 to British bankers.

In spite of these measures there was a further fall of the exchange reserve. The total of gold and foreign exchange held by the National Bank fell from 118,000,000 pengö (£4,300,000) at the 31st December, 1931 (it had been 129,000,000 pengö at the 30th June, 1931) to 107,000,000 (£3,900,000) at the 30th June, 1932. During the first three months of the year the amount of exchange allotted for foreign debt payments totalled 10,400,000 pengö and in the second quarter 5,900,000 pengö.

By May the foreign exchange holdings of the National Bank had fallen so low that the Bank was compelled not to transfer the monthly instalments of League Loan service, and at the end of June the trustees of the Loan announced that the funds in foreign currencies then in their hands were insufficient to meet in full the interest due on the 1st August. Shortly afterwards the assigned revenues (except the pengö equivalent of the non-transferred service dues) were removed from the trustees' control.

As was the case with the Austrian League Loan, certain funds were already available for maintaining the service of the Reconstruction Loan for a while. The trustees had in hand the reserve created under the General Bond (equivalent to six months' service in the various currencies in which the loan was issued), together with four monthly instalments out of the six which should normally have been paid to them by the 15th June, 1932, and certain other assets. On the 4th August the Hungarian Government issued a statement acknowledging the importance of preserving the status of the loans issued under the auspices of the League of Nations, and suggesting that the interest service could be maintained if the trustees of the

loan were to apply the reserve fund to meeting the coupons before providing redemption. On this basis the Government expressed the confident hope that, in the absence of any further deterioration of the position or of any serious and unforeseen emergency, they would be able to provide the assets required in foreign exchange to meet the coupons up to and including the one due on the 1st August, 1933.

Meanwhile, the balances of pengö due for exchange into foreign currencies but not transferred were piling up. At the 30th June, 1932, the aggregate sum paid into the foreign creditors' fund was 58,300,000 pengö (£2,100,000), while arrears totalled 8,300,000 pengö (£300,000). The total of matured coupons and drawn bonds which by the same date had been redeemed in pengö, either by the controllers of the fund or by the debtors themselves, amounted to 10,700,000 pengö (£400,000), so that the amount actually held by the National Bank was 47,600,000 pengö (£1,700,000). The fund had not been invested, but interest was being paid on accumulated balances at a rate one per cent. below that paid on fixed deposits by the big Budapest banks. It may be noted that the authorities in Hungary were pursuing a comparatively liberal internal credit policy, the bank rate being reduced progressively to 5 per cent. from a maximum of 9 per cent. in July–September 1931: consequently, internal prices showed a decline in no way comparable with the big drops in the price indices of other countries. By the 30th November, 1932, the Hungarian State Government were over 18,000,000 pengö in arrears on their obligations to the Foreign Creditors' Fund, and later they ceased altogether to transmit to the Fund the pengö equivalent of the service of the external public debt, pleading the inability of the Treasury to find the money. This unilateral act of default came in for severe criticism by the Financial Committee.

Hungary's estimated annual indebtedness of 300,000,000 pengö for interest and other debt service may be compared with exports, in 1932, of 332,000,000 pengö, and imports of 337,000,000 pengö. Thus unless prices were to rise, or Hungary's exports were to increase substantially in volume, the maintenance of full debt service would have required that imports should be cut down to negligible amounts, in fact far below the total of indispensable raw materials. Hungary's trade was, of course, being choked by the restrictive policies of her neighbours induced by their own financial troubles, and in an attempt to mitigate her difficulties she adopted the policy of concluding clearing agreements with them. By October 1932, she had signed clearing agreements with Austria, Belgium-Luxembourg, Czechoslovakia, France, Germany, Italy, Rumania and Switzerland, which coun-

tries took, at the time, over three-quarters of Hungary's exports. The League representative, reviewing the results of these agreements up to the 30th September, described them as deplorable, and the agreements themselves as defensible only on the ground that, without them, Hungary's trade with the countries in question would have ceased altogether. In their report of January 1933, the Financial Committee of the League pointed out that the various clearing agreements had, in practice, given results quite opposite to those expected by the parties; in Hungary they had had the effect of increasing the proportion of imports to exports, of causing an influx of unessential goods and of contracting the total volume of foreign trade, the contraction being felt more especially in the export trade. Although they had not yet denounced any of those agreements, the Hungarian Government, in agreement with the National Bank, had introduced a system of compensation arrangements which could be reasonably expected to give a wider expansion to international trade. The Hungarian Finance Minister, describing the Government's economic policy on the 31st January, made an exception in favour of the clearing agreement with Austria, which, he said, was working satisfactorily.

(e) BULGARIA

The difficulties of Bulgaria in respect of her external debt first attracted wide public attention during the session of the Financial Committee of the League of Nations held in Paris during the first fortnight of March 1932. The main business of the Committee on that occasion was to consider applications for financial assistance from Greece and Bulgaria. After some days of discussion, it became known that the Bulgarian Government had instructed their representatives to press for the immediate grant of financial reliefs, as the Government found themselves otherwise unable to meet the instalment of their external debts due on the 15th March. This crisis, however, was the conclusion of a sequence of gradually increasing financial difficulties. As early as January 1931, the Financial Committee, which had a special interest in Bulgaria on account of the administration of the Refugee Loan of 1926 under League auspices, and of the existence of other international controls, reported that the budget situation, which betrayed a considerable deficit, called for the closest attention on behalf of the Bulgarian Government.

This moderate and optimistic tone was retained by the Financial Committee in a report a year later. Despite the efforts of the Government, it then seemed probable that the expenditure for the year

1931-2 would total 7,100,000,000 leva (£10,500,000) against revenue of only 6,490,000,000 leva (£9,600,000); however, measures recently adopted were expected to reduce the deficit to 350,000,000 leva (£520,000). In fact, the deficit proved to be more than double that sum. The Bulgarian Government made known to the Committee their determination to balance the budget for 1932-3 (including the budget for railways and ports) on a basis of 7,000,000,000 leva, the result to be achieved partly by an increase of revenue and partly by a reduction of expenditure. The Committee urged that the figure of 7,000,000,000 leva be regarded as a maximum, since it seemed to them most unlikely that the revenue would exceed that amount. They renewed previous recommendations to the Bulgarian Government concerning both economies and new fiscal resources. These included the reduction of the number of civil servants and pensioners, the establishment of turnover and liquor taxes, and an improvement in the collection of direct taxes. Two months later, the findings of the Financial Committee were considerably gloomier. It might well be doubted, they reported, whether the revenue in 1932-3 on the existing basis could greatly exceed 6,000,000,000 leva, while the expenditure had not yet been brought down even to the promised figure of 7,000,000,000. Plans worked out in consultation between the Government and the Financial Committee's delegation in Sofia had cut the prospective deficit to 300,000,000 leva; but the Committee felt that the importance of restoring a properly balanced budget demanded that further energetic measures be taken to meet that remaining deficit, and they believed that this should be possible if a radical reorganization of the financial administration were carried out by the Government. In January 1933 the Financial Committee reported that the budget for 1932-3 already showed a deficit of some 600,000,000 leva (£900,000), which would probably amount to between 800,000,000 and 900,000,000 leva (say £1,250,000) by the end of the financial year. Unfortunately the Committee had not received the impression that the measures of reform which were imperative formed as yet the subject of any coherent programme.

Meanwhile, the other aspect of Bulgaria's financial troubles, the problem of external transfer, had raised acute difficulties. Even after the stabilization of the leva in December 1928 with the aid of a 'League' loan, complete freedom of trade in foreign exchange, which had been subject to regulation since 1923, was not restored, and on the 15th October, 1931, monopoly control over such transactions was once more vested in the National Bank. This action, involving a ban on luxury imports and the strict curtailment of

transfers for the settlement of short-term and commercial debts, was taken under pressure of a considerable loss of exchange. During 1927 and 1928 and the beginning of 1929 there had been a progressive influx of private short-term credits of every description. In the second half of 1929 the movement was reversed, and during 1930 and 1931 there was an extensive withdrawal of such credits. The internal banking position was thereby strengthened, but during the course of 1931 the reserve of the National Bank fell from 2,661,000,000 leva (£3,950,000) to 1,768,000,000 (£2,620,000), in spite of a surplus on the trade balance officially placed at 1,274,000,000 leva (£1,890,000).

In the opinion of the League's Financial Committee (reporting on this situation in January 1932), it was important that the public should realize that bank reserves were designed to meet periods of exceptional difficulty such as that through which the world was then passing, and need not, in consistency with sound central banking usage, be regarded as entirely unavailable. In cases of necessity, and until conditions should improve, some part of such reserves could safely and properly be used. On the other hand, it was imperative that every step should be taken to secure to the National Bank complete control over operations in foreign exchange, which it was evident the Bank had not yet obtained. Indeed the Committee held it unfortunate that the National Bank had not put into force at an earlier date the regulations which it subsequently adopted and which would have checked the withdrawals of foreign credits.

On the transfer issue, as on that of budgetary equilibrium, the Financial Committee's tone changed rapidly from optimism to doubt. In January 1932 they remarked that Bulgarian merchandise exports had exceeded imports by 1,601,000,000 leva (£2,380,000) in 1930 and by 1,218,000,000 (£1,810,000) in the first eleven months of 1931, and that the service of the state debt amounted, during the period of the Hoover moratorium, to about 900,000,000 leva (£1,300,000) per annum; hence whatever qualifications might have to be made to those figures there should still be a considerable surplus. Two months later they calculated that in view of the rigorous restrictions placed on imports by Bulgaria's principal customers in Central Europe, either through import contingents (quotas) or through control over exchange dealings, and having regard to the inadvisability of attempting too great a contraction of the country's economic life, it would be rash to count on an average credit balance in foreign exchange, reverting to the National Bank in respect of commercial transactions, of more than 100,000,000 leva a month. The foreign liabilities to be met out of this balance included the repayment of private debts, invisible

imports, and the service of the public debt and debts guaranteed by the state. The total volume of private indebtedness had been estimated at nearly 5,000,000,000 leva (£7,000,000) but in practice, the Committee's delegation concluded, only about 1,300,000,000 leva (£2,000,000), consisting almost entirely of sums due in respect of goods, could effectively be claimed. The Committee considered that in any case the Bank would be obliged to meet a monthly debit balance of at least 10,000,000 leva in respect of invisible imports.

As for the public debt service, transfers on that account to be effected during the six months April–September 1932 amounted on an average to 91,000,000 leva per month, including 22,300,000 for Reparation payments. Upon the termination of the Hoover Moratorium, a half-yearly Reparation payment would fall due on the 30th September, but under the system of monthly payments in advance Bulgaria would have to recommence payment as early as the 15th April. However, since the 1926 international loan and certain pre-war loans had priority over Reparation payments in regard to the transfer of foreign exchange, it was obvious that no transfer could be made on account of Reparations during a period when (as the Committee proposed) a special system was to be applied for transfers on account of the public debt service. Under those conditions, it seemed unnecessary for the moment to contemplate the setting up of the Transfer Committee under the Reparation settlement, and the suspension of monthly Reparation payments should simply be continued.

The Committee, in short, came to the conclusion that the situation in regard to foreign exchange did not enable Bulgaria to meet all the transfer obligations which she had contracted. It was true that the National Bank had at its disposal a gold reserve amounting to 1,512,000,000 leva (£2,250,000), and that this must be regarded as a reserve available for exceptional periods of difficulty such as that through which Bulgaria was then passing; nevertheless the Committee held that temporary concessions by the different categories of foreign creditors were inevitable in order to assist Bulgaria during the economic crisis. The Committee was, therefore, of opinion that transfers for the whole of the payments in respect of the external public debt should be reduced by 50 per cent. during the six months April–September. It would rest with the Bulgarian Government to decide how their future stock of foreign exchange could best be utilized in the general interests of the country and its future credit. In any case, the Government should continue to enter amounts not transferred in their budget and to pay those amounts in leva into

a special blocked account, which might be temporarily invested in Bulgaria by the transfer to the fund of commercial bills or Treasury bills in the possession of the National Bank. A similar effort at restriction would naturally be required in respect of private indebtedness. The reduction by one-half of the transfer of the public debt service would reduce the latter to 45,500,000 leva per month¹, which, on the basis of the foregoing estimates, would leave a monthly sum of 54,500,000 for the settlement of private debts and so-called invisible imports.

The recommendations were carried out, and a provisional agreement came to between the Bulgarian Government and groups of the external public debt bondholders. In November 1932 a further agreement, providing for a reduction of the transferred portion of the service of the two League Loans, was negotiated in London. The position, however, deteriorated quickly, owing to the rapid fall in the value of Bulgaria's exports and the compulsion under which she was placed to accept commercial agreements with a number of countries, limiting releases of exchange from the proceeds of trade with those countries. Total exports of merchandise during 1932 amounted to £4,700,000 (gold), and imports to £6,800,000,² so that instead of a surplus of foreign exchange available for debt service there was actually a deficit to be met.

(f) GREECE

The post-war economic situation of Greece was dominated by the necessity of providing for the thousands of refugees who streamed into the country from Asia Minor and elsewhere during and after the Greco-Turkish war.³ To begin with, it was a question of providing these unfortunate people with the barest elements of subsistence, shelter, and sanitary and medical service, but when that had been done the Government, under international advice, embarked on a large programme of public works, notably irrigation projects, designed to render the greatly increased population self-supporting and eventually to minimize the country's need to import considerable quantities of essential foodstuffs. Loans for purposes of refugee settlement

¹ This is the figure given by the Financial Committee. It represents one-half of the total public debt service, which, however, included 22,300,000 leva for Reparation payments. The latter were not to be transferred at all during the currency of the Committee's emergency plan.

² Issues of foreign exchange by the National Bank, however, totalled only £5,000,000, indicating that about £1,500,000 worth of goods had been imported on credit.

³ See the *Survey for 1925*, Vol. II, Part II E, section (iii).

and financial stabilization were raised under the auspices of the League of Nations in 1924 and 1928, and their service, along with that of certain other state indebtedness, was administered by an International Financial Commission representative of the Governments of Great Britain, France and Italy. Further international supervision existed in the person of a League adviser to the Bank of Greece, the statutes of which were promulgated in conformity with an international protocol signed at Geneva in 1927.

As into other Central and Eastern European countries, capital poured into Greece from 1925 to 1928, establishing a large inward balance of trade—although in the case of Greece a considerable volume of ‘invisible exports’, chiefly shipping services, tourist traffic and the remittances home of former emigrants, offset some of the excess imports of merchandise. Even in 1929 there was an inward balance of merchandise trade amounting to £17,000,000, on a total external trade of £55,000,000; in 1930 the deficit was cut to £12,500,000, and in 1931 to £12,000,000, on a total trade of £33,000,000. Nevertheless, the cessation of foreign lending, the anxiety of investors to remove their money from a country whose immediate economic future seemed precarious, and the low price of Greece’s exports (chiefly tobacco and currants) caused a severe and rapid depletion of reserves of foreign exchange. Between the 31st December, 1930, and the 30th September, 1931, the reserves of the Bank of Greece in gold and foreign exchange dropped from 3,000,000,000 drachmae (£8,030,000) to 2,355,000,000 (£6,280,000). On the 28th September, 1931, restrictions were imposed on dealings in foreign exchange, and the Bank of Greece proceeded to limit the amounts of exchange allotted for purchase of imports. Even this measure did not prove effective in checking the drain of exchange, and in the last quarter of the year the reserves of the Bank fell still more rapidly, to 1,916,000,000 drachmae (£5,110,000). The threat to the country’s trade that was involved in the departure of Great Britain from the Gold Standard, as well as the direct depreciation of the Bank’s sterling assets, had alarmed investors, and there were signs of a flight from the drachma.

It was under these circumstances that the Greek Government and the Bank of Greece, in January 1932, invited the Financial Committee of the League to study the financial position of the country. At the same time the Prime Minister, Monsieur Venizelos, addressed to the three Governments represented on the International Financial Commission in Athens a request (1) for the suspension of external sinking funds, and (2) for support for further foreign loans to complete the irrigation programme in the valleys of the Struma and the Vardar.

These two requests, involving a five-year moratorium on sinking funds, were the basis of the proposals laid by the Greek Government before the Financial Committee at its March meeting, when the report on the investigation into the country's financial position was considered. By that time the total foreign exchange resources of the Bank of Greece had fallen to 1,275,000,000 drachmae (£3,400,000) which was almost exactly equal (at the Committee's reckoning) to the annual service of the foreign public debt of Greece, namely, not less than 900,000,000 drachmae for interest and about 330,000,000 for sinking fund. These figures for the foreign debt service were reached after allowing for reductions resulting from the Hoover Moratorium, for the saving on sterling loans through the depreciation of the pound, and for the payment of certain coupons of foreign loans to Greek residents who had repurchased them; and no provision is reckoned in them for the service of private indebtedness. This huge obligation stood in face of an external trade account which scarcely balanced even at the highest reckoning of invisible items. There was also a troublesome budget problem, for although the 1931-2 budget would show only a small deficit coverable by previous surpluses, on the budget for 1932-3 there was a prospect of a deficit of 1,300,000,000 drachmae (£3,500,000), which the utmost economies yet proposed by the Greek Government would not reduce below 400,000,000. Further, irrigation works in hand, which were not included in the budget, and for which no cash resources were available, would require approximately 1,000,000,000 drachmae in 1932-3 if the actual programme were to be carried out. The budget for 1932-3 actually produced a deficit of £2,000,000, in spite of the fact that provision was made for payment of only 30 per cent. of the foreign public debt service.

Nevertheless, in their report of March 1932 the Financial Committee declared that of the two problems, the transfer problem and the budget problem, the former was undoubtedly the most urgent. They regarded it as impossible, in the circumstances, for the Greek Government to maintain in full the transfer service of their foreign debt. They felt obliged to recommend that the International Financial Commission should be authorized to agree to suspend, for the period of one year (as compared with the five years of the Greek project), the transfer of the sinking funds of Greek loans under its control, and that similar measures should be applied to other Greek foreign loans. The Committee felt unable, 'in this particular instance', to urge any separate treatment for the League Loans of 1924 and 1928.

The recommendation was made subject to the maintenance by the Greek Government of the full payment in drachmae of the non-

transferred amortization. The Committee suggested that, except where amortization could be satisfactorily accomplished in drachmae to be retained in Greece, the drachmae amounts should be paid over to the International Financial Commission, though they might be re-lent temporarily to the Greek Government for unavoidable expenditure on existing irrigation schemes, subject to their repayment out of any further loans which might be floated abroad for the continuance of those works. A precedent for such a course had been created, it may be observed, in the provision of the Young Plan for German Reparations, that if payments made in reichsmarks could not be transferred into foreign currencies without injury to Germany's economy, they might be invested temporarily in productive enterprise in Germany. During the currency of the Hoover Moratorium the unconditional part of the Reparations annuity was in fact paid in reichsmarks which were reinvested in bonds of the German Railway Company. The League Financial Committee declared that it would be necessary to reduce temporarily the expenditure on irrigation works to the smallest sum compatible with the need for safeguarding the work already done, and in no circumstances ought the expenditure to exceed the aggregate of the sums in drachmae due on foreign loans but not transferred.

The Committee emphasized their opinion that measures aimed at the balancing of the budget, including both increases of taxation and reductions of expenditure, were essential if Greece was successfully to make the appeal (which the Committee was prepared to support) to her foreign creditors for restraint in pressing their legal claims. Proposals were also made for the financial reorganization of the railways. However, the main preoccupation of the Committee remained the question of transfer. The Committee held that the steps taken to reduce and control imports, and the reduction of government expenditure abroad, other than debt services, together with the recommended cut in foreign sinking funds, would enable Greece to maintain the interest service of the public debt. At the same time, it was a matter of urgent importance that Greece should be included in a general scheme for the raising of guaranteed loans under international auspices.

The proposals of the Financial Committee on the one hand fell short of what the Greek Government asked and apparently expected, while on the other they aroused vigorous protest among their creditors, especially in respect of the League Loans. Pending a direct settlement with representatives of the bondholders, the Greek Government refused facilities for the transfer into foreign currencies

of the sums in drachmae retained by the International Financial Commission. Two months after the League Committee had reported, this policy on the part of the Greek Government was the subject of formal protest by the three Governments represented on the International Commission—Great Britain, France and Italy. This instance of direct governmental interference on behalf of bondholders appears to have been unique in the history of European finance during the period under review, and it was, of course, essentially associated with the international control of the service of the loans in question. It was not until the 13th September that announcement was made of agreement between the Greek Government and representatives of their creditors. While the debtor Government recognized their full liability on their external obligations, they could not, they declared, find means for providing the service of the sinking funds of the external loans, nor meet more than a limited amount of interest charges during 1932-3. Payments in foreign exchange amounting to 30 per cent. of the total annual interest service on each loan would be made and applied to the first half-yearly or first two quarterly coupons payable during the financial year. The parties to the discussions agreed to meet again in November, when half the Greek fiscal year would have elapsed, in order to re-examine the capacity of Greece to make further payments on interest account during 1932-3. These arrangements were recommended to bondholders by the Council of Foreign Bondholders and by the League Loans Committee.

The proposed negotiations were, in fact, postponed owing to the failure of the Greek Government immediately to complete their undertaking to pay 30 per cent. of the annual interest service, and owing to disagreement over the question of releasing for the benefit of the Greek Government the blocked sums in drachmae in the hands of the International Financial Commission. On the 25th January, 1933, however, it was announced that the 30 per cent. had been duly paid; and that, in agreement with representatives of the bondholders, the three Governments represented on the International Financial Commission in Athens had thereupon directed the Commission to release to the Greek Government all the amounts accumulated by them in drachmae on account of sinking fund up to the 31st August, 1932, together with the balance of the service moneys up to that date after deducting the 30 per cent. of the interest. As from the 1st September, 1932, up to the end of the current Greek fiscal year (April-March), the Commission would accumulate and retain an amount in drachmae equivalent at current rates of exchange to 35 per cent. of the annual

interest service of the Greek External Debt, releasing the balance of the assigned revenues to the Greek Government. On this basis the latter would reopen negotiations with the bondholders' representatives.

Releases of exchange, over and above payment for imports, were not made for the service of the state debt at all until the arrangement described above was reached; but the service of private long-term debts was met in full, together with the interest on private short-term commercial debts. Repayment of the latter, however, was restricted to the grant of foreign exchange every six months to the extent of not less than 10 per cent. of the total debt.

Between the report of the Financial Committee and the temporary settlement with the bondholders, important changes had occurred in the external economy of Greece. On the 23rd April, 1932, the Gold Standard was abolished. At the same time, the system of exchange control was reinforced. The importation of goods other than cereals, animal products and foodstuffs was severely restricted. Not merely were exporters still obliged to hand over the whole of the foreign exchange they acquired, but a proportion of the proceeds of the export of certain products had to be made over at the former parity of the drachma, whatever the depreciation. Greece was the only one of the debtor countries of Central and Eastern Europe to allow the formal depreciation of the external value of her currency, the nearest instance being Austria, where an unofficial or 'black' market, on which the schilling sold at a considerable discount, was recognized alongside the official market on which the schilling retained its former par value. The decline of the drachma *pro tanto* enhanced the nominal burden of the external debt, but equally it promoted exports and hindered imports. The comparatively great importance of the British market to Greece, and the fact that a large part of her external indebtedness was expressed not in gold but in sterling, differentiated her from other Balkan countries and helped to explain her decision, contrary to theirs, to abandon the Gold Standard. By the end of the year the drachma had depreciated to less than one-half its par value in dollars, so that sterling itself stood at a high premium in terms of drachmae. On the 30th July, 1932, a decree was published providing that all bank deposits and debts of every description, including debts for current interest, which were contracted before the abandonment of the Gold Standard on the 26th April and were expressed in terms of foreign currency, should be considered as converted into drachmae at a rate of 100 drachmae to the dollar, par being 98. Exemptions from this relief to debtors were (a) debts arising from commercial

transactions with foreign creditors, and obligations of foreign debtors to Greece; (b) debts in foreign currencies arising from insurance policies; (c) deposits in foreign exchange belonging to foreign subjects permanently residing outside Greece; (d) deposits of the foreign diplomatic corps; and (e) share issues and loans floated abroad by Greek companies. This measure, it may be observed, was in many respects the direct opposite of the action of the Hungarian Government in establishing the gold-pengő, for the Hungarian expedient, so far from converting gold debts into debts for local currency, actually translated debts for local currency into their gold equivalent.

(g) THE LEAGUE LOANS

The part played by the Financial and Economic Organization of the League of Nations in promoting the financial restoration of Europe, ever since the first attempts at stabilizing the Austrian currency in 1921, was the object of considerable applause by supporters of the League. By the middle of 1932, however, apologists might have been excused for doubting whether, on the whole, the League had gained prestige by participating in financial reconstruction. Of the six large loans issued under the auspices of the League, transfer of service had been altogether suspended at that time as regards the Austrian and Hungarian and the two Greek loans, while only 50 per cent. of the service of the Bulgarian loans was being furnished to bondholders. It was therefore more natural than justifiable that these defaults should have redounded, in the public mind, to the discredit of the League's Financial Organization (which in more than one case, had, indeed, been responsible for recommending the suspension of transfer). Yet neither the League nor its constituent Governments had ever assumed any legal obligation in respect of the loans, except as regards the Austrian loan of 1923, which was guaranteed in varying proportions by a number of external Governments.

Nine loans, totalling approximately £80,000,000 in nominal value at par of exchange, were issued between 1923 and 1928 on the basis of schemes recommended by the Financial Committee of the League and approved by the Council. In most cases the issue of the loan was made conditional upon the acceptance by the debtor Government of some form of supervision over its finances by League representatives, as well as the assignment to international trustees of specific revenues from which the service of the loan would be met. Thus apart from any moral responsibility, which might be imputed to the League, for securing the recognition of a special status for

these loans, they were rendered attractive to the investor by the certification of the League that the scheme of financial reconstruction or refugee settlement was a sound one, by the allotment of sufficient revenues amply to cover service, and by the continued concern of the League in the internal finances of the borrowing countries. The result was that—in so far as comparison is possible—these League loans seem to have commanded a higher price than similar governmental loans not issued under the authority of the League, while many of them admittedly could not have been raised at all but for the League's action. Below is a list of the loans showing the centres in which they were issued. It may be remarked that the place of issue does not necessarily indicate the ultimate source of the subscriptions; for instance, many blocks of League loans issued in New York and other centres were known to be held in London by large investors who were in a position to take advantage of minor differences of price between one centre and another.

LEAGUE LOANS
£'000,000's at pars of exchange.

<i>Loan.</i>	<i>Total Issue.</i>	<i>Countries of Issue.</i>			
		<i>Great Britain.</i>	<i>U.S.A.</i>	<i>France.</i>	<i>Other Countries.</i>
Austrian 6% Guaranteed Loan, 1923	32.0	14.0	5.1	1.4	11.5
Bulgarian 7% Refugee Loan 1926	3.2	1.7	0.9	—	0.6
Bulgarian 7½% Stabilization Loan, 1928	6.2	1.5	1.8	1.0	1.9
Danzig (Free City) 6½% Tobacco Monopoly Loan, 1927	1.9	1.5	—	—	0.4
Danzig (Municipality) 7% Loan	1.5	1.5	—	—	—
Estonian 7% Banking and Currency Reform Loan, 1927	1.5	0.5	0.8	—	0.2
Greek 7% Refugee Loan, 1924	12.3	7.5	2.3	—	2.5
Greek 6% Stabilization and Refugee Loan, 1928	7.6	3.4	3.1	—	1.1
Hungarian State 7½% Loan, 1924	14.1	7.9	1.5	—	4.7
Total, nine loans	80.3	37.5	15.5	2.4	22.9

The high proportion issued in London becomes even more striking if the Austrian loan, which alone among them was guaranteed by

external Powers, is omitted. Of the remainder, some 53 per cent. was originally subscribed in London.

The main reason why investors in these loans were disappointed of their expectations was one which would have injured their assets at least as badly, and almost certainly worse, had they resorted to any other type of international investment. This was the great fall in prices which, accompanied by the cessation of international lending, made the burden of their debts, as expressed in goods, intolerable for all debtor countries.

In some measure, however, the fall in prices and the drying up of the stream of loan money served merely to unmask defects in the economies of the borrowing countries which would in any case have come to light eventually. In certain instances it seemed that the total annual obligations of the debtor country in respect of its whole external debt, private and public, exceeded any trading surplus which could be counted upon even in prosperous times; or that the internal economy of the country was based unduly on the indefinite continuance of loan works financed with money borrowed abroad. Sometimes the fault lay with the public finances—there was insufficient central control over public expenditure of loan moneys or even current outgoings, or the budget was established on such a scale that revenue was certain to be inelastic should it prove necessary to increase expenditure for emergency purposes, which would certainly occur just when revenue was falling. These were faults which were certainly not confined to the recipients of League loans, but critics were inclined to suggest that, had the investigation and supervision conducted by the League's Financial Organization been a little more insistent and longer maintained, public warning of danger might have been given earlier to the debtor Governments. In view of the strictures passed on Hungarian public finance by the special investigation of October 1931,¹ for instance, it was claimed that in releasing Hungary from budgetary supervision in 1926 the League accepted a premature discharge from its responsibilities.

On the other hand, defenders of the League's Financial Organization urged that the international controls, which had been instituted for a definite limited purpose, were rightly terminated when that purpose had been achieved. They could not have been prolonged merely by reason of the possibility that fresh troubles might arise from fresh causes. The investor in League loans was assured only against certain risks, namely, the internal risks occurring during the execution of schemes, and in this assurance the League did not fail him.

¹ See pp. 57-9 above.

In April 1932, a committee was formed in London, at the instance of the Bank of England, to protect so far as was possible the bondholders of League loans. The committee included, among others, Sir Austen Chamberlain, who was chairman, Sir Otto Niemeyer and Sir Arthur Salter. The association of the last-named, who had lately retired from the directorship of the Economic and Financial Section of the League of Nations Secretariat, with the committee and with its representations concerning the special status of these particular loans must be taken to indicate that the League experts chiefly responsible for the flotation of the loans had assumed them to acquire a certain 'moral' priority. Later the committee addressed memorials to the British Government and to the Council of the League of Nations. The memorials were dated the 18th July, 1932, but they were not published until the 20th September. The committee, after reciting the list of loans, submitted to His Majesty's Government:

That these loans were issued at various times since the War with the object of furthering the policy of European reconstruction, and that they were approved in detail by the Council of the League of Nations with the concurrence and support of H.M. Government, which was at all times represented on the Council. The fact that recourse was had to the League shows the difficulty, if not impossibility, of making such issues at the time solely by the normal market procedure.

That it is believed that in all cases H.M. Government desired the success of the loans in the interest of their general policy of European reconstruction, and in more than one instance particularly recommended them to the support of the competent authorities of the City of London.

That the British investing public, which subscribed about half the total of the League loans, did so in the faith that a special security attached to them, and that having regard to the circumstances of the issue both the Council of the League of Nations and H.M. Government would exercise a special watchfulness in regard to them.

That the 'League Loans' have a moral claim to special consideration in view of the facts that, but for the reconstruction schemes in connexion with which they were issued, the service of previous loans could in many cases hardly have been resumed, nor would subsequent lenders have invested funds as they did in the countries concerned.

In view of the defaults or infractions of general bonds which had already taken place on several of these loans, and of 'the deplorable effect on the influence of the League of Nations, both in financial and in other fields', which must be produced thereby, the committee prayed His Majesty's Government

To move the Council of the League of Nations to take into immediate consideration the very grave situation which has arisen in respect of the loans issued under its auspices and subscribed on the faith of its approval, and the injury which these defaults or threatened defaults

infect on the prestige of the League and on its ability to aid similar reconstruction schemes in future ; and

To urge the Council to take such steps as will best serve to restore confidence in League issues and enable the League to continue its work of European reconstruction.

The memorial to the Council of the League of Nations followed similar lines, while describing in greater detail the kind and measure of League endorsement and supervision that had been given to these loans.

The Council of the League set up a committee, under the chairmanship of Monsieur Braadland (Norway), to consider this memorial ; and on the 7th October, following the report of the committee, the Council accepted a resolution admitting the special responsibility which lay upon it in connexion with these loans, and reaffirming the very grave concern with which it viewed the continued failure of certain states to meet their obligations thereunder. The Financial Committee was requested to give particular attention to the League's responsibilities in this connexion, and to advise whether any further remedial action could be taken at that time. Further, the Council declared its opinion that any country which was in default on a League loan should avail itself fully of the technical help of League advisers, and should keep the Council fully informed of the position through its Financial Committee. Significantly, in commenting on this resolution, Sir Austen Chamberlain remarked that while at present there was no possibility of a reduction of interest payable, sooner or later there would have to be a readjustment to the new value of money.

(h) WORK OF THE FINANCIAL COMMITTEE OF THE LEAGUE

In the evolution of a technique of default on international debts, which marked the public finances of Europe during 1932, a highly important role was played by the Financial Committee of the League, on whose shoulders, in earlier years, had fallen much of the burden of finding means to restore the shattered monetary and budgetary systems of war-worn states. The views expressed by the Committee were important, furthermore, not only on account of their executive effect and of the weight that must attach to the pronouncements of such a body, but also because the personal composition of the Committee indicated that these were the opinions of the most influential central and private banking circles in Europe. It will therefore be of interest to review the principles that emerge from the sundry reports of the Committee, which were issued on different occasions, in relation to various groups of facts, and often under pressure of urgency.

1. In the case of each of the four countries with which the Committee principally concerned themselves (Austria, Bulgaria, Greece and Hungary), at least partial suspension of transfer of the service of external public loans was declared inevitable, in the circumstances created by the cessation of international lending and the tremendous fall of commodity prices throughout the world. Suspension, however, was to be regarded as an extremely grave act, seriously damaging the credit of the debtor; it should therefore be treated as a temporary measure which every effort should be made to rescind.

2. It was impossible to lay down any universal rules for discriminating between one class of indebtedness and another, or between one kind of public loans (e.g. the League loans) and another.

3. One important consideration, however, which was bound to influence Governments in taking their decision on that point, was the necessity for maintaining a basis for commercial credit, on which external trade—the only means whereby any of the debts could ultimately be paid—depended. The Committee urged debtor Governments and banks to conclude Standstill Agreements with their short-term creditors.

4. Budgets must be balanced, and public accounts generally put on a sound footing.

5. In this connexion, the sums due on external public debt but not transferred should be paid in local currency into a special account, which might be temporarily reinvested in the debtor country under special safeguards.

6. External depreciation of the currency would be highly dangerous. A restrictive internal credit policy should be employed to counteract the rise of prices otherwise threatened by the restriction of imports and the retention of non-transferred sums.

7. Control of foreign exchange operations, however regrettable, was a temporary necessity in order to build up a surplus of exports. The system, once in force, should be made as complete and strict as possible.

8. Endeavours to build up an export balance out of which to pay debt service were being frustrated by the conclusion of clearing agreements, which served merely to restrict trade.

9. Further international loans, guaranteed by creditor countries, were necessary if the debtors were to be set on their feet again.

10. The Committee throughout treated the financial crisis as a temporary phenomenon, and the measures recommended to meet it as essentially transitory. Their advice, up to the end of 1932, was that no final settlement should be contemplated by the debtor Governments.

Some of these points need a little elaboration. Transfer suspension was effected independently by Austria and Hungary, and the Financial Committee merely recorded their acquiescence. 'In the circumstances and in the absence of any improvement in the general world position', the Financial Committee recognized, in the case of Hungary, 'the difficulty of any alternative to the step taken'. The measure could, however, only be justified as a temporary arrangement calling for every effort on the part of Hungary. As regards Bulgaria and Greece, on the other hand, the Committee were in a position to furnish advice beforehand—advice which, incidentally, the Greek Government did not accept. For the latter country, the Committee recommended suspension of transfer of the sinking funds of all public loans for one year, whereas Bulgaria was advised to reduce by 50 per cent. transfers for the whole of the payments due in respect of external public debt during the subsequent six months. The terms of these recommendations show how evanescent the Committee apparently hoped that the financial crisis would prove. 'The countries concerned', wrote the Committee in March 1932, 'should, in their own interest, make every effort to restore at the earliest possible moment their reputation as good and solvent debtors and resume full transfer of their debt service.'

The attitude of the Financial Committee towards the League loans is of peculiar interest. The Committee took cognizance of the complete suspension of transfer by Austria without specific comment, though they recorded also the protests of the trustees of the guaranteed loan against the breach of their General Bond. Likewise, in their report on Hungary, they merely recorded the view of the Hungarian Government that the terms under which the Reconstruction Loan of 1924 was contracted effectively exempted the service of that debt from transfer suspension; and they were equally reticent when Hungary eventually forsook her intention to maintain that exemption. In their recommendations for Bulgaria the Committee proposed no exceptions, while in the case of Greece they expressly included the League loans. 'Having regard', they wrote, 'to the fact that it has felt compelled to support a proposal to suspend amortization of many earlier Greek loans charged in general on the same revenues as the League loans, the Committee has come to the conclusion that it cannot in this particular instance urge any different treatment for those two loans.'

The Committee published, at the same time as the recommendations for Greece, some general comments on discrimination between one class of obligations and another.

While there is an obvious difference between loans which are secured on specific revenues and loans which have only a general charge, it is sometimes difficult to say, though in this respect individual cases differ widely, that any given specific charge is better or worse than any other specific charge, or that any particular creditor can claim to be preferred to any other.

The question of transfer, they remarked, is often not settled by contractual provisions, but has to be considered from a more general standpoint. In such circumstances,

a Government which is unfortunately compelled to default on any of its foreign obligations must make its choice in the light of what is the real interest of the country concerned, and consequently of its creditors as a whole. In so doing, the Government must naturally endeavour to strike a balance between the importance of its national credit and the necessity for maintaining commerce and the financial relations which enable that commerce to be carried on.

The Committee pointed out that the final prospects of short-term lenders depended on the possibility of ultimate funding operations, the prospect whereof would be very greatly decreased if long-term loans were allowed to fall into disrepute. Nevertheless,

Subject to the main consideration of maintaining a basis of Government credit on which to rebuild, the Committee attaches the greatest importance to States preserving commercial credit—for their capacity to pay in general is necessarily dependent upon their foreign trade. The Committee, furthermore, is of opinion that the maintenance of a Government's credit may call for a continuation of service on short-term Treasury Bill obligations.

In this connexion, the Committee several times urged, especially upon Austria and Hungary, the conclusion of Standstill Agreements with private short-term debtors. The agreements should in no case be for a shorter period than six months and should not involve any repayment of principal.

Recommendations regarding budget equilibrium need little comment. Their rigour in each case depended largely on the relative importance that the Committee attached to the budget problem in creating the debtor's difficulties. The Committee were chiefly insistent that expenses should be cut, to meet lower national incomes, but occasionally specific suggestions for new revenue were also put forward. One point on which the Committee displayed particular concern was the necessity for winding up expensive subsidies or state enterprises, such as grain valorization schemes.

The emphasis laid by the Financial Committee on the necessity for strict control of exchange transactions, in order that an external surplus might be built up, and leakages of foreign exchange prevented,

is of particular interest in view of the abuse heaped upon the system by other important bodies, including the International Chamber of Commerce and the Stresa Conference.¹ The Financial Committee were far from equivocal in their recommendations. Discussing the situation of Hungary, in October 1931, they wrote:

It is, in our opinion, essential that the stability of the pengö should be maintained. . . . If this is to be done, however, and the foreign obligations just mentioned are to be met, exchange operations must be so controlled as to restrict imports to an indispensable minimum. Such a restriction of imports implies in turn a contraction of credit in the country, in the absence of which a rise of prices is unavoidable.

Three months later the Committee were still complaining that the system had not proved watertight and that there was still need for energetic administration and supervision. They considered that steps should at once be taken to discontinue the privilege granted to some firms of retaining export exchange for the purchase of raw materials abroad, and to bring this exchange under the ordinary control of the National Bank.

Similarly, the Committee published an opinion in regard to exchange control in Austria which might be taken as a general *credo*.

For such temporary period as exchange control may be necessary, it is important that it should be effective; otherwise, all the disadvantages are obtained without the advantages. To enable the National Bank to exercise effective control, the Committee feels that certain principles are essential. The first of these is that no—or only the rarest—exceptions should be allowed to the general obligation to surrender foreign exchange to the National Bank. . . . The second essential principle is that no export should be allowed without the surrender to the customs authorities by the exporters of a permit from the National Bank. The third is that there should be control over the character of all classes of imports, even those taking place under clearing agreements.

Emphasis was throughout laid on the temporary character of the restriction advocated. Having admitted that they had on several occasions recommended the temporary application of measures of exchange control, and had urged that they should be accompanied by a credit policy designed to increase the competitive power of the state in question, the Committee continued:

But measures of exchange control designed to bring about a modification in the balance of trade must be looked upon as transitional. Their temporary necessity must, moreover, be recognized by creditor States. If creditor States resist the efforts of their debtors to secure the required surplus of goods, by raising their tariffs, by imposing prohibitions, or by insisting on contingents or clearings, the risk of default must be greatly increased.

¹ See p. 14 above, and p. 90 below.

It has been necessary to record in considerable detail the views of the Committee on this topic, in order that the reader may assess the measure of their responsibility for the restrictions upon trade which the Stresa Conference so wholeheartedly condemned.

Almost as energetic as their demand that exchange control should be as rigorous as possible was the Committee's objection to the system of clearing agreements. In their report of October 1932, they noted that Bulgaria had been compelled to accept commercial agreements with an increasing number of countries, and that these had resulted in blocking the proceeds from her exports. 'If', added the Committee, 'these agreements were maintained and became general, Bulgaria would soon be unable to dispose of any exchange for settling her non-commercial external payments.' The Committee considered that in so far as clearing agreements could not be altogether done away with, they should at least make provision for maintaining a fraction of exchange that could be disposed of freely. In the case of Austria, the Committee remarked that the clearing agreements threatened to bar control by the National Bank over different classes of imports, and that, further, they would appear to allow a special advantage to creditors of Austria resident in the countries with which such agreements had been concluded. The Committee felt that the granting of such special privileges was injudicious. More positively, the Committee urged that the beleaguered states should attempt to restore the normal flow of trade by straightforward commercial accords. In January 1932 they drew the attention of the Council, and also of the Austrian and Hungarian Governments, 'to a question of vital importance—viz. the necessity of establishing, at the earliest possible moment, closer economic relations with neighbouring and other States on a normal basis in keeping with the commercial possibilities of the various countries'. In a later report the Committee added that Bulgaria ought to be included in this recommendation, and that special consideration should be given to the relations between Bulgaria and Greece. It is interesting to note that at the same time as the Committee was making the above general recommendation for Hungary, the League representative in that country reported in the following terms.

The policy of industrial protection that has been followed since the War might with advantage be reconsidered, especially in connexion with plans for restoring to Hungarian agriculture its traditional markets.

Finally, something must be said about the Committee's attitude

towards the raising of further loans to resuscitate the financially distressed countries. 'There is urgent need', they reported in March 1932, 'for immediate collective action in the form of loans to be raised on international markets under government guarantees.' Austria and Greece were the two most urgent cases; the Committee considered the sum of 250,000,000 schillings (£7,000,000 gold) essential for the restoration of Austrian finance, while for Greece a sum of not more than 10,000,000 dollars (£2,000,000 gold) was mentioned. The form of guarantee by external Governments, the Committee advised, should be the same as that employed in the case of the 1923 Austrian Reconstruction Loan. The loans, which would be of a maturity of not more than three to five years, and would be repayable out of the proceeds of long-term loans, would be intended merely 'to bridge an intermediate period in the interest of general stability'. Aid to any country would be conditional on its acceptance of the measures recommended by the Financial Committee, in consultation with the guarantor Governments, for sound public finance and the administration of the National Bank. Close and constant co-operation between any state which might receive outside aid and the League of Nations must be assured. Promptitude, added the Committee, was essential, for delay might very well prove costly. By the end of 1932, it may be noted, a guaranteed loan of 300,000,000 schillings (£8,500,000) had been promised for Austria (though the cash was not yet available), but nothing further had been done towards carrying out the recommendations for guaranteed advances.

Throughout the recommendations of the Financial Committee runs evidence of their faith that they were dealing with a temporary financial emergency, and that the time had not yet come to tackle the fundamental problems of international credit in Europe in any permanent fashion. In their report of March 1932 they expressly affirmed their belief that it would be a mistake for states in difficulties to endeavour to formulate any final settlement. The immediate and urgent problem was a different one, namely, to gain a breathing space during which the more hopeful elements of the situation might develop, and to endeavour within that period to arrest the tendencies towards disaster that were then evident. It is interesting to consider this dictum in connexion with the problem of War Debts and Reparations, that is to say, with the Hoover Moratorium, which was explicitly intended to provide just such a breathing space, and with the insistence of Great Britain and other Powers, before the moratorium expired, on the necessity for a final settlement as a condition of general economic recovery.

(i) THE AUSTRIAN LOAN

In March 1932, reporting especially on the condition of Austria, the Financial Committee of the League of Nations declared that there was urgent need for immediate collective action in the form of loans to be raised on international markets under Government guarantees. At that time 190,000,000 schillings of short-term credits had already been secured (from the Bank for International Settlements and the Bank of England) towards the sum of 250,000,000 schillings which the Committee considered essential for the restoration of Austrian finance; in view of the exceptional difficulties with which Austria was faced, the Committee strongly recommended that the remaining 60,000,000 should be increased to 100,000,000 schillings. This advice was repeated when the Committee reported on the Austrian situation after the transfer of debt service had actually been suspended. The League Council itself, replying in May 1932 to the Austrian Government's request for advice regarding the foreign exchange difficulties of the country, expressed itself generally in favour of a relief loan to Austria, and referred her problems to the Mixed Committee of Treasury Representatives and members of the Financial Committee. The Mixed Committee held a special session at Lausanne, during the course of the Reparations Conference, to consider a proposition for the raising of a guaranteed loan of 300,000,000 schillings for Austria, including sums required to repay the short-term advances already mentioned.¹

Discussion in the Committee turned upon two issues: the reluctance of the British Government to incur any financial commitments in respect of international loans (an attitude which emerged even more definitely at the Stresa Conference), and the insistence of the French Government that the loan should be conditional upon a reaffirmation by Austria of the terms of the protocol of the 1923 Reconstruction Loan, which, according to the judgment of the Hague Court, legally prevented economic as well as political *Anschluss* with Germany.² Eventually a protocol was signed by the representatives of all the interested Powers except Germany, who dissociated herself from it on account of its restriction upon Austria's liberty of external policy. A loan of 300,000,000 gold schillings, redeemable over twenty years, during which period the terms of the protocol would remain in force, was to be raised under the following guarantees: United Kingdom, 100,000,000 schillings; France, 100,000,000 schillings; Italy, 30,000,000 schillings; Belgium, 5,000,000 schillings; Holland, 3,000,000 schil-

¹ See the *Survey for 1931*, pp. 101-2, 210, 319.

² See *op. cit.*, pp. 297-8, 321-3.

lings; the remainder to be guaranteed by other countries who, it was hoped, would participate in the flotation.¹ The British portion, however, represented no new money, but merely a repayment of the 100,000,000 schillings lent to the Austrian National Bank by the Bank of England during the crisis of June 1931. The proceeds of the loan, apart from that, would be used for the restoration of Austrian national finances in agreement with a League Commissioner and a League adviser to the National Bank. Apart from this return to international financial control, which had been terminated in 1926, Austria abjured again, in the terms of the 1922 protocol, all efforts to alienate her independence.

It was this latter clause which nearly prevented the ratification of the agreement. Germany straight away refused to adhere, while making an independent offer of a credit for the Austrian Government. Bitter opposition was raised in Austria itself, and the Bill ratifying the agreement was passed—and voted again after the Federal Council had actually rejected it—by extremely narrow majorities in the National Assembly, against the combined opposition of the Pan-Germans and the Socialists. Most remarkable was the criticism of Monsieur Flandin during the debate on the ratification Bill in the French Chamber. Monsieur Flandin, who had been Finance Minister in the Governments of MM. Laval and Tardieu, declared that France was exposing herself to the accusation that she had bought the liberty of the Austrian people for 300,000,000 francs. A critic still further to the Right, Monsieur Marin, said that Austria was already under obligation to refrain from pursuing the *Anschluss*; yet it was being built up daily and the financial pressure of France would not prevent it. Monsieur Herriot's defence was that there were only two alternatives: the *Anschluss*, which would incorporate Austria in a great German union, or the policy of the League, which would give Austria moral and political independence in an organized Europe. Monsieur Viénot, expressing the majority views of the Foreign Affairs Committee of the Chamber, was more candid. If, he declared, France was to say 'No' to Austria when she entered upon dangerous political courses, she must say 'Yes' when Austria asked for help in meeting French wishes.

The debate in the British House of Commons naturally did not follow these lines, but was concentrated rather on financial issues. A number of members complained that these financial palliatives for a deep-seated economic disease in Central and Eastern Europe

¹ A *tranche* of 8,000,000 schillings was subsequently guaranteed by Switzerland.

were useless, and that good money—which could be profitably employed in national development at home—was being thrown after bad. The Government, however, claimed for the new loan not merely that it would enable an advance from the Bank of England, which was otherwise frozen, to be repaid, but that it would provide funds for the resumption of transfers on the 1923 Reconstruction Loan and would put Austria on her feet again so that she could resume her place among the solvent nations of Europe. Before the Finance Committee of the French Chamber, Monsieur Chéron, Minister of Finance (who, however, admitted that the loan was more important for France from the point of view of foreign policy than from that of pure finance), pointed out that if Austria were not put in the way of providing the service of the 1923 loan, the French Treasury might have to back its guarantee of that loan to the extent of 750,000,000 francs in ten years. A similar consideration, of course, exercised the minds of other participating Governments. Monsieur Marin criticized the measure on the ground that it was no part of the French Government's international duty to thaw British bankers' credits. But it is remarkable that support for the loan was very lukewarm in London financial circles; *The Economist*, for instance, remarked that it would not greatly regret Austria's refusal to ratify the protocol, and continued:

It was tempting, doubtless, for the Powers on the League Council to decide that it was worth while paying a moderate price to keep the Austrian problem in cold storage for a few months; but, if this stop-gap falls to the ground, it may well be a gain that the Powers will thereby be forced to face realities on the Danube more quickly.

The view that the loan would prove inadequate for the purpose of restoring Austrian finances to a condition in which transfers could be resumed and the exchange maintained without further foreign aid, and that something much more drastic was required, was equally forcibly expressed in Austria itself, as well by the Socialists as by industrial interests who were pressing for a thorough-going reform of governmental finance.

In spite of these criticisms from such widely different quarters, the terms of the loan were ratified, as required, by Austria, Great Britain, France and Italy, before the end of the year. There was, however, some inevitable delay before the loan could be floated. The Committee of Control of the states guaranteeing the 1923 Reconstruction Loan met in Geneva in January and reached full agreement with Austrian representatives upon the general form of the obligation to be created. Nevertheless, partly owing to delays in passing the necessary financial

measures through the Parliaments of the guarantor states, no public issue for the loan was made until August 1933, when the London and Paris *tranches* of the loan were issued independently. In London £4,514,000 of 'Austrian Government International £3 per cent. Guaranteed Sterling Bonds, guaranteed as to principal and interest by H.M. Government', were offered at £96 per cent. This gave a flat yield of £3 2s. 6d. per cent., or of £3 5s. 7d. after allowing for redemption. The Paris issue gave a considerably higher yield, which indicated the superiority of British Government credit compared with that of the French Government. In a statement accompanying the prospectus, the Austrian Minister of Finance declared that the proceeds of the loan, after providing for the repayment of the advance of approximately 100,000,000 gold schillings made by the Bank of England to the Austrian Government in June 1931, would be used to consolidate the existing short-term debt position of the Government and to reinforce the monetary reserves of the National Bank of Austria. The London issue was oversubscribed and went immediately to a premium.

(j) THE STRESA CONFERENCE

The origin and terms of reference of the Stresa Conference have already been mentioned in connexion with the scheme there adopted by the representatives of European Powers for the revalorization of cereals.¹ The work of the Conference was divided between a Financial Committee and an Economic and Agricultural Committee, the latter of which was responsible for the agrarian preference proposals. The Financial Committee, presided over by Monsieur Bachman (Switzerland), addressed itself more particularly to that portion of the terms of reference which related to 'measures to overcome the present transfer difficulties of the countries of Central and Eastern Europe and to make possible the progressive suppression, subject to the necessary safeguards, of the existing systems of exchange control'; although the committee perceived that the economic and financial aspects of the phenomena under consideration could not be kept in separate watertight compartments.

The Conference was concerned with the affairs of eight countries, whose financial and economic position differed widely, as the table on the next page indicates.

The condition of a group of countries which between them imported £5,500,000 more goods than they exported, while they had to find £53,000,000 of foreign exchange annually if they were to pay the

¹ See p. 23 above.

CENTRAL AND EASTERN EUROPE
Summary of Financial Position, 1932
In millions of £'s gold

	Foreign Trade in 1931.			External Debt.			Annual Service Thereof (a).		
	Imports.	Exports.	Balance.	Long Term.	Short Term.	Total.	Public.	Private.	Total.
Austria.	62.5	37.8	-24.7	67.1	29.0	96.1	5.3	3.2	8.5
Bulgaria	6.9	8.7	+1.8	27.0	1.3	28.3	1.2	0.2	1.4
Czecho-slovakia	71.5	80.0	+8.5	66.9	13.9	80.8	2.8	1.4	4.2
Greece	21.6	11.3	-10.3	93.0	2.8	95.8	5.1	0.5	5.6
Hungary	19.8	20.4	+0.6	93.8	55.8	149.6	4.6	5.2	9.8
Poland	33.6	43.2	+9.6	117.9	58.8	176.7	6.0	4.6	10.6
Rumania	19.5	27.1	+7.6	192.5 (b)	16.3	208.8	6.8	1.2	8.0
Jugoslavia	17.2	17.2	—	118.1 (c)	11.5 (c)	129.6	4.9	?	4.9(c)
Total, after eliminating trade of 8 countries <i>inter se</i> .	175.3	169.9	-5.4	776.3	189.4	965.7	36.7	16.3	53.0

(a) Including interest on short-term debt.

(b) Including short-term public debt.

(c) Public debt only.

service of their indebtedness to foreign countries without sinking further into debt, could scarcely be called satisfactory. Aggregates of that kind, however, are misleading; it is not very useful, for instance, to strike an average between Austria and Czechoslovakia. All of the group, except Greece, formally maintained the Gold Standard, keeping the 'official' rate of exchange up to the level of the gold parity; but, in fact, only Poland was managing to do so without the most rigorous control of transactions in foreign exchange. Austria began to restrict foreign exchange dealings in October 1931, but considerable decentralization was allowed and a system of private clearings gradually elaborated. A 'black' exchange bourse was countenanced by the authorities. No foreign exchange was being provided for the service of long-term loans, or even for the interest on short-term obligations. Bulgaria established the regulation of foreign exchange dealings, in the form of an absolute monopoly by the National Bank, about the same time as Austria. Foreign exchange was being granted for the settlement of private short-term credits and external debts only in exceptional cases and up to 10 per cent.; however, 50 per cent. of the service of the public debt—the only long-term external debt—was being transferred. In Czechoslovakia, foreign exchange dealings were regulated under licence, but not monopolized, by the National Bank. Exchange was being granted for the service of short-term and long-term debts, and for their due repayment, without any restriction, except that debts owing to countries like Austria, Hungary, Jugoslavia, Bulgaria, Rumania and

Greece, which had established transfer restrictions of their own, were being paid not in foreign exchange, but by means of various kinds of clearings or blocked accounts. Greece was able somewhat to liberate conditions of release of foreign exchange upon her abandonment of the Gold Standard, but the obligation upon exporters to hand over to the National Bank the full proceeds of their exports in foreign exchange was maintained. The transfer service of the public external debt—much the most important section of Greek debt to other countries—had been altogether suspended, though not long afterwards arrangements for partial payment were made.¹ The service of private long-term debts, and the interest on private short-term commercial debts, were being met in full; but narrow limits were set on the repayment of short-term debts. In Hungary, dealings in foreign exchange were entrusted almost exclusively to the National Bank, and a moratorium on all debt transfers had been declared. Poland alone had not imposed any restrictions on dealings in foreign exchange. Regulation of foreign exchange business came late in Rumania, but by the time of the Stresa Conference was almost complete. The full amount of foreign exchange was still being granted for the payment of interest on short-term debts and the service of long-term debts, and in many cases releases were also effected for the repayment of short-term debt. Dealings in foreign exchange in Yugoslavia were likewise concentrated in the hands of the National Bank and of certain private banks specially authorized, although exporters were allowed to keep 20 per cent. of the proceeds of their exports. The Bank was granting foreign exchange to the state to cover the whole of its requirements in respect of short-term and long-term debts, but to individuals only so far as it was able to do so. The state and municipalities had been able to extend the date of maturity of certain short-term debts.²

That was the state of affairs which the Stresa Conference had to face. The whole problem, remarked the Financial Committee of the Conference, was dominated by two fundamental considerations. The first was the fall of prices, and the second was the fact that the economic structure of these countries had adapted itself to working, during the previous few years, under the continuous influx of foreign capital, an influx which had now ceased. The degree of indebtedness

¹ See pp. 70–1 above.

² The continued payment of full external public debt service having proved impossible, in January 1933 the Yugoslav Government successfully negotiated with their foreign bondholders for the establishment of a three years' moratorium on their dues both for interest and sinking fund, 25-year bonds being given in lieu of cash.

to foreign countries was in several cases excessively heavy, and the difficulties were enhanced by the fact that an unduly high proportion of the capital lent was in the form of short-term obligations.

One definite conclusion [wrote the Committee] may be deduced from this situation: to add, before the necessary adaptation has been completed—as a result of new loans—additional charges to those over-heavy burdens which exist to-day, would be for those countries at the present juncture as little in the interests of the lenders as of the borrowers. The difficulty would not be settled at all, but would simply be held over until later, while its solution would be rendered more complicated and burdensome.

The Committee added that the foregoing did not apply to the Austrian loan under the Lausanne Protocol. Apart, however, from a rather indefinite reference to recommendations for the continuance of commercial negotiations by Austria, the Committee was not explicit as to why it allowed such an exception to its strictures upon further international loans until adjustment to new conditions had been secured. Its policy on this issue presents something of a contrast to that of the League Financial Committee.¹

The Committee went on to agree that it was difficult, in the circumstances, to avoid establishing a temporary system of restriction on foreign exchange dealings—a régime, nevertheless, upon which it would be fatal to confer a permanent character. There was, however, no need in the majority of countries to fear inflation, as in the period immediately after the War. The energetic steps taken in order to avoid, or at all events to limit, deficits in the budgets of public authorities and public services had prevented the creation of that large additional purchasing power which was an essential condition of such inflation. Unfortunately, the result of the efforts of the several countries, by exchange restrictions and the like, to remedy the disturbance of their external balance of payments, had been not only nil, but negative. The final solution of the difficulty, therefore, could be found only in joint action on international lines.

Considering how exchange restrictions could be removed, the Committee declared that there were two methods of securing greater freedom of trade in commodities: on the one hand, that of continuing deflation, until a new equilibrium was reached, based on the original gold value of the national currency; and, on the other hand, that of leaving the value of the currency to adjust itself to the new situation—while, of course, continuing with the greatest energy the efforts necessary to balance the different budgets and the whole national

¹ See p. 83 above.

economic system. In default of either of those two courses the policy of officially maintaining the Gold Standard, without the internal conditions which could give it reality, made the abolition of existing barriers impossible. A third method had sometimes been envisaged—that of replacing the actual legal parity of the currency by another. The Committee considered that this operation would be most hazardous in the circumstances, in the absence of effective outside support. As between the other two methods, the Committee contented itself with pointing out a number of considerations which should influence the sovereign authorities in determining their monetary policy. Whatever the decision was, the Bank of Issue must pursue an energetic policy, and a satisfactory budget equilibrium must be maintained at all costs.

Next, the Committee turned to measures involving outside co-operation. As far as debts were concerned, no single solution was possible, on account of the profound differences which existed between the several countries. Nevertheless, the Committee saw fit to affirm certain general principles.

Once an obligation has been entered into, it is final; it must be carried out in full and as stipulated in the contract. If circumstances occur which are stronger than the will or the capacity of the debtor, they create for the parties a new situation in which the creditor must be able to form an idea of the real situation of the debtor and demand guarantees safeguarding his interests. But, at the same time, it may be said that such a situation should incite the creditor to assist the debtor to return to normal conditions. . . .

We repeat that the whole problem of debts will be simplified by the disappearance or gradual lowering of the barriers to international trade in general. Conversely, the aggravation or maintenance of these barriers, accentuating the stagnation of business, would complicate the problem to the extent of rendering it in some cases insoluble. The abolition of restrictions on dealings in foreign exchange may, in certain cases, necessitate an at least temporary adjustment of foreign debts.

It must not be forgotten, insisted the Committee, that they were in the heart of the crisis, so that the measures to be taken should have a temporary rather than a final character. This attitude, similar to that of the League Financial Committee, appears throughout the report. If, wrote the Stresa Committee, debt adjustments appeared necessary, it would, in principle, be preferable, in the interests of debtors and creditors alike, that they should be given a provisional character; for it was possible that world trade was on the eve of revival.

Discussing the problem of short-term debts, which were either 'frozen' internally or lacking the means of transfer abroad, the

Committee observed that the Standstill Agreements, which had been concluded with the idea that they would only be for a provisional period, presented evident drawbacks. In certain cases, they had lumped together the sums falling due, further increased by arrears, and had fixed the same date of payment for all of them, thus intensifying the difficulty of a solution. In the interior of each country they had prevented the liquidation of intrinsically bad debts, and had thus stopped the painful but normal process of improvement and reduction. A transfer moratorium, whether official or *de facto*, had the same drawbacks, and others as well. It was in the interest both of creditors and of debtors to correct to the greatest possible extent, by direct negotiation, the defects which practice had revealed. The Committee then gave some advice upon the principles that should guide such negotiations. They pointed out that measures taken to 'block' funds injured the liquidity of foreign creditors, some of whom could not safely accept the pure and simple transformation of their short-term credits into medium or long-term credits. The Committee recommended that funds belonging to foreigners should at least be available for capital employment within the country; further, that arrangements should be made for their progressive utilization for the purchase of exported goods. Lastly, foreign creditors must, as soon as possible, be able to choose their debtor within the country and enjoy all the advantages granted to national creditors; otherwise they might demand compensating guarantees. Moneys derived from the payment of long-term debt coupons, and placed in special non-transferable accounts, had to be considered separately; they should in any case be available within the country to holders wishing to cash their coupons there.

The Committee then turned their attention to the problem of long-term debts. Most of these, and in some countries even all, were public debts; so that the issues turned partly on budgetary capacity and partly on foreign transfer capacity. The Committee emphasized the importance of the principle that in no circumstances could contractual obligations be modified unilaterally. If a debtor country considered itself unable to meet its obligations in full, it was in duty bound to communicate with its creditors, directly and without delay, and, if the latter were to deem such a course necessary, to submit to any reasonable investigation of its position by qualified persons acceptable to both parties. In certain cases, the burden would be appreciably lightened by comparatively slight modifications of the rate of amortization. Concessions made by foreign creditors should not result in placing them in a less favourable position than home creditors.

It might be hoped, wrote the Committee, that the various measures which they had recommended would safeguard the balance of payments of the countries concerned from a sudden attack at what had hitherto been its most vulnerable point. It would then be possible, by prompt and decided action, to abolish the system of restrictions on foreign exchange dealings. But when all that was done, and when the countries concerned had reached the threshold of a final adjustment in the relations of their economic life with that of the world at large, foreign assistance in currency matters might be found both necessary and expedient. Hence there had been put forward the idea of instituting a fund for the purpose of assisting at the opportune moment the 'normalization' or final regularization of currency conditions in Central and Eastern Europe.

This proposal for a currency normalization fund met with some opposition in the Committee, and was merely recommended for further consideration by the Commission of Inquiry for European Union, to which the Stresa Conference had to report. Nor was the Financial Committee of the Conference able to put forward any conclusions as to combining the proposed currency fund with the fund for the valorization of cereals which was recommended by the Economic and Agricultural Committee.¹ Nevertheless, it is important to note the details of the proposal, which seemed likely to play eventually a considerable part in schemes for the financial resuscitation of Europe. (a) The immediate object of the fund would be to assist central banks by increasing their reserves at the opportune moment, thus facilitating the final abolition of exchange restrictions. (b) It would not be called into play until the last stage, when the efforts of the interested parties were completed. (c) Nevertheless, since the necessary conditions would be fulfilled more rapidly in some countries than in others, and since the value of the scheme in stimulating confidence would (according to its authors) be immense, it would be desirable that a movement for promoting the idea of such measures should be launched without delay. (d) The fund would be constituted through an appeal to Governments, which would make the necessary sums available, either directly or indirectly. (e) It was desirable that as many countries as possible, especially the leading Powers, should contribute to the fund; the question of assessment of contributions was left open. (f) The working methods should be modelled on commercial practice; capital would be lent at interest and in accordance with the accepted rules for credit transactions. Subsidies paid into the fund would therefore have the character of

¹ See pp. 25-6 above.

loans, recoverable as soon as the fund had completed its task. (g) The administration of the fund should be entrusted to the Bank for International Settlements, though the measure of the Bank's independent power in respect of the fund was a matter of controversy.

These particulars were, generally speaking, confirmed by the Committee of Experts which was appointed by the Council of the League to examine the proposal for a currency normalization fund. The committee, which met in November 1932, did not consider it possible to undertake at that time the detailed and thorough preparation of the scheme, but was content to elaborate certain points, recommending, for instance, that a part only of the fund should be subscribed primarily in cash, the balance to be called up only in case of need. The Experts' Committee, like the Stresa Conference, insisted that the fund should be operated only in the final stages of financial recovery in any given country.

It will be observed that the recommendations of the Financial Committee of the Stresa Conference formed a more or less complete system. They may be summarized still further as follows:

(i) There should be no new international loans to the countries concerned until independent efforts by the interested parties, designed to secure liberation from exchange control, were completed.

(ii) Countries could either, by deflation, adjust their economic life to existing pars of exchange, or allow the exchange to adjust itself; but the latter process involved grave dangers.

(iii) In any case, it was essential that the Central Bank should keep the credit system of the country under strict control, and that budgets should be balanced.

(iv) There must be no unilateral repudiation of contractual obligations, but temporary adjustments might be found necessary in the interests both of creditors and of debtors.

(v) The removal of exchange restrictions would ease the problem of debts; conversely, temporary reduction of the debt burden might be necessary in order to allow the removal of exchange restrictions.

(vi) The time had not yet come for a final settlement of the debt question.

(vii) It was necessary to revise Standstill Agreements and transfer moratoria, so as to avoid the accumulation of debts all falling due at the same date, and to give the creditors the widest possible rights of liquidating the debts, or effecting an exchange of debtors, within the country.

(viii) When these adjustments, internal and external, had been effected, it ought to prove possible to remove exchange restrictions. But some members of the Committee favoured the idea of a 'currency normalization fund', to be furnished by Governments, directly or indirectly, and to be used, when the other measures were complete, to provide Central Banks with additional reserves during the critical period of a return to a normal international monetary régime.

In the absence of a general rise in prices, the hopes implicit in these dicta could be justified only if the debtor countries managed to adjust their internal economies to the new level of world prices and to the cessation of international lending. Those hopes remained still to be fulfilled at the end of 1932. The piling-up of non-transferred sums due to foreigners, and the removal of most international competition, made the task of the monetary authorities in debtor countries all the more difficult. A certain measure of adjustment was nevertheless discernible, although the surest method of restoring the debtors to solvency, the willingness of creditor countries to accept their products in increasing quantity, seemed as far away as ever from the region of practical politics.

(k) CONCLUSION

The sequence of particular events in the financial history of 1932, with the exception of the Lausanne Conference and the measures taken under League auspices to lend order and principle to what might otherwise have been the wholly chaotic condition of public finance and exchanges in Central and Eastern Europe, makes rather a gloomy narrative. The picture that is left is one of widespread default, partial or total, on external debts, coupled with measures of exchange control which reduced the international trade of the countries chiefly concerned to a fragment of its former extent. Budgets were almost everywhere unbalanced, and unemployment on a huge scale afflicted every industrial country. But there were forces at work outside the range of public attention which were gradually establishing the conditions under which recovery would be possible. There was the imponderable restoration of hope and confidence, chiefly as a reaction, in an atmosphere of convalescence, from the earlier defaults of debtors and from the violent shocks of 1931. There was the general establishment of easier monetary conditions. The signal was given in February by the reduction of the Bank of England rate from 6 to 5 per cent., which was followed immediately by reductions in Sweden, Norway, Greece and the United States, with other countries following later. From the middle of January 1932 until March 1933 (when American rates went up) there was not a single increase in the discount rate of any Central Bank in the world. The opportunity of cheap money was taken by several Governments (notably the British Government, but including also those of Australia, Belgium, Denmark, France, Italy, the Netherlands, Sweden and Switzerland) to convert part of their public debt to a lower rate of interest. Then there was the steady liquidation of international

debt, the excessive volume of which had been one of the principal threats to the existing economy. Among other liquidations, the crisis credits lent to London and Berlin were repaid. Foreign exchange assets of Central Banks in Europe, the United States and Japan fell by almost £300,000,000 between March 1931 and the end of 1932, partly on account of a net loss of reserves and partly because foreign exchange was widely converted into gold. It has been computed that the total international short-term indebtedness outstanding at the end of 1932 amounted to £1,200,000,000, of which approximately one-half was governed by Standstill Agreements, moratoria, exchange restrictions, &c. In certain cases, notably that of Germany, the Standstill Agreements provided for the gradual liquidation of the debts. The body economic was working a good deal of poison out of its system, even though it was still charged with deleterious drugs.

PART II

REPARATIONS AND WAR DEBTS

(i) German Reparations and War Debts (1931-2).

By R. J. Stopford.

(a) INTRODUCTORY

No picture of the crisis which occurred in the history of Reparations and War Debts in 1931 and 1932 would be intelligible without an adequate delineation of the background of world economic developments during the period. The student of this subject has at his disposal the chapters entitled 'Annus Terribilis 1931' and 'Nemesis: the Financial Outcome of the Post-War Years' in the *Survey for 1931* and that headed 'The World Crisis' in the present volume, so that it is not necessary here to do more than depict very briefly the situation which led up to the Hoover Moratorium of June 1931.

For Germany—as for any other country under the necessity of making large inter-governmental payments—there were the two problems of the Budget and of the transfer over the exchanges. The budgetary problem, which had been the subject of repeated warnings by the Agent-General for Reparations, Mr. S. Parker Gilbert, was complicated by the extent of the financial powers possessed by the various states of the Reich; and even the stringent attempts at economy made by the Government in 1930 and 1931 were insufficient to deal effectively with the situation. On the transfer side, the economic facts of the situation had been temporarily obscured by the volume of foreign loans and foreign short-term credits, out of which Germany was able to meet her Reparation liabilities for over twelve years; but to the student of economics it was clear that she was piling up an amount of foreign debt such that the service alone would eventually absorb all her transfer surplus. It is true that from 1929 Germany's balance of trade was favourable; but this was due to the restriction of imports and not to an increase in exports, and was obviously artificial. When, in 1929, the ability of the creditor Powers to make fresh loans ceased, and in 1930 the withdrawal of foreign short-term credits and the flight of capital from Germany began, the final crash became only a matter of time. In the event, political developments such as the rise of the Nazi party¹ and the unexpected announcement in March of the conclusion of a customs

¹ See the *Survey for 1930*, pp. 8, 28-9, 549-51.

union with Austria¹ administered a further shock to confidence, while the economic repercussions of the failure of the Credit-Anstalt in Austria gave the *coup de grâce*. It was the outflow of funds which followed these developments that made the moratorium necessary.

Such were the immediate causes of the crisis, but it must also be borne in mind that underlying these, particularly with reference to Reparations and War Debts, the headlong fall in commodity prices and the decrease in the volume of international trade by more than 50 per cent. greatly increased the burden of Reparations.² Moreover, it was these same factors, gathering momentum from the cessation of Reparation payments, which made the burden of Inter-Allied Debts intolerable.

It would be rash to say that, had there been no payments on account of Reparations and War Debts after the War, there would have been no crisis, but it is unfortunately true to say that it required a world economic crisis of the magnitude of that experienced in 1931 and 1932 to convince the world of the impossibility of such payments, and that even in the midst of these events there were those who were not convinced.

(b) THE HOOVER MORATORIUM

By the middle of June 1931 it had become obvious that Germany was heading for ruin and that such a catastrophe could only be averted by outside action of so comprehensive a nature as to strike public imagination and restore confidence throughout the world. Such action could scarcely be taken by the European Powers, who were themselves between the upper and the nether millstones of Reparations and War Debts. Expectation accordingly turned towards the United States, where the Administration had been closely following developments in Europe. It will, no doubt, be recalled that, both in the Young Plan and in the various War Debt agreements, provisions had been inserted with the object of affording temporary relief to the debtor if the economic situation should render payment in full impossible. Thus, under the Young Plan, the transfer in whole or in part of any conditional annuity could be postponed, but it was specially provided that payment in marks must be continued in full for at least one year after the postponement of their transfer had

¹ See the *Survey for 1931*, Part III A.

² Unfortunately, the provision in the Dawes Plan for a revision of the Reparations payments in accordance with changes in the general level of prices was omitted in the Young Plan. Such a revision would have substantially reduced Reparation payments before June 1931 by a process which would have had profound and beneficial effects on War Debts.

been approved.¹ Not only, therefore, was the relief which could be extended to Germany limited to the conditional annuities, but no relaxation of the burden on the German Budget could be obtained until after July 1932. Similarly, the postponable amounts under the various War Debt agreements formed only a small percentage of the total annuities payable, and the period of postponement allowed was very short.² It was obvious, therefore, that the rights of postponement exercisable under existing agreements were of so limited a nature that there could be no hope of their having any real effect in the critical situation which had arisen. President Hoover, however, had prepared a provisional plan, which was communicated to his Cabinet as early as the 6th June, and by the 15th June semi-official indications of the Administration's attitude were being given out. On the 19th June, President Hoover, warned by the fate of President Wilson in 1919,³ sounded a number of Congressional leaders on his scheme. That same day, President von Hindenburg made an appeal to him for help, and on the 20th June⁴ President Hoover published his famous plan for a moratorium of one year for all inter-Governmental debts, the text of which was as follows:

The American Government proposes the postponement during one year of all payments on inter-governmental debts, reparations, and relief debts, both principal and interest, of course not including the obligations of Governments held by private parties. Subject to confirmation by Congress, the American Government will postpone all payments upon the debts of foreign Governments to the American Government payable during the fiscal year beginning July next, conditional on a like postponement for one year of all payments on inter-governmental debts owing to the important creditor Powers.

The purpose of this action is to give the forthcoming year to the economic recovery of the world, and to help free the recuperative forces already in motion in the United States from retarding influences from abroad.

I do not approve in any remote sense of the cancellation of the debts to us. World confidence would not be enhanced by such action. None of our debtor nations has ever suggested it. But as the basis of the settlement of those debts was the capacity, under normal circumstances,

¹ See the *Survey for 1929*, pp. 158-9, 163.

² Out of the total annuity of some \$170,000,000 payable by Great Britain to the United States, only \$30,000,000 was postponable for a period of two years. For the War Debt agreements, see the *Survey for 1926*, Part I B.

³ It is interesting to note that the announcement in January 1933 of President-Elect Roosevelt's intention of conducting the War Debt negotiations himself was the signal for a number of warnings to him in Congress to remember the fate of the last President (President Wilson) who had attempted to conduct international negotiations himself.

⁴ It will be observed that the proposal was not published until after the payments due on the 15th June, 1931, had been made, so that the moratorium year ran from the 1st July, 1931, to the 30th June, 1932.

of the debtor to pay, we should be consistent with our own policies and principles if we take into account the abnormal situation now existing in the world. I am sure the American people have no desire to attempt to extract any sum beyond the capacity of any debtor to pay, and it is our view that broad vision requires that our Government should recognize the situation as it exists.

This course of action is entirely consistent with the policy we have hitherto pursued. We are not involved in the discussion of strictly European problems, of which payment of German reparations is one. It represents our willingness to make a contribution to the early restoration of world prosperity, in which our own people have so deep an interest.

The psychological effect of this statement was tremendous. A sigh of relief went up, not only from Germany, but throughout the world. At the moment when the future looked blackest, the United States, which had hitherto seemed to be the stumbling block in the way of the settlement of War Debts, and consequently of Reparations, had suddenly given evidence of constructive leadership. It was true that, for the plan to succeed, two conditions were necessary, namely, the immediate acceptance of the plan by the countries concerned and the approval of Congress; but it seemed to be unbelievable that the first condition would not be fulfilled, and the fact that Congress would not meet till December seemed to be offset by the publication of an imposing list of the names of Congressmen who had approved President Hoover's action. The fact that, under pressure of domestic politics, the period of the moratorium had been reduced by President Hoover from two years to one was not known until later.

Great Britain, Italy, Germany and almost all the other Powers accepted the proposal immediately and unconditionally, but a serious shock was administered to the new spirit of hope by rumours as early as the 22nd June that France was not prepared to agree to the plan as it stood. France declared that the proposed moratorium destroyed all the guarantees which had been given by Germany, and insisted that the framework of the Young Plan, as embodied in the unconditional annuities, should be retained. It is easy to criticize France for this attitude as destructive of what was the essence of the plan—namely, its comprehensiveness and simplicity; but it is also important to remember that, from the French point of view, the plan involved a serious nominal loss, and that to France, still suffering from a fear neurosis, the proposal to cut through the only existing agreement that bound Germany to pay any Reparations at all might well seem to be but the forerunner of the tearing-up of the Treaty of Versailles. Subsequent events went some way to justify the French feeling that the suspension meant the final end of Reparations.

The French Government replied to President Hoover's proposal in a note of the 24th June in which they announced their general acceptance of the underlying idea, but declared that the unconditional annuity could not be entirely waived. They suggested that it should be paid by Germany, but that each of the creditor Governments should return their share to the Bank for International Settlements, which would allocate the sums received as follows: the service of the Dawes and Young loans should first be secured; credits to the extent of \$25,000,000 should be put at the disposal of certain Central European Governments which would suffer from the non-payment of Reparations; approved contracts for deliveries in kind should be financed; and the remainder of the annuities should be reloaned to German industrial concerns. They also required that repayment should be made by Germany within two years and that France should be freed from her obligation to create the Guarantee Fund of 500,000,000 Reichmarks.¹

Negotiations between Paris and Washington continued, with assistance from London, for some time, while the spirit of optimism roused by President Hoover's proposal died down and the strain on Germany's resources recommenced. It was not until the 6th July that agreement was reached as follows:

(1) The payment of all inter-governmental payments, including War Debts and Reparations, was to be postponed for one year.

(2) The unconditional annuities were to be paid by the German Government, but they were to be returned by the creditor Governments to the Bank for International Settlements, which, after providing for the service of the Dawes and Young loans, was to invest them in guaranteed bonds of the German railways. The funds for the unconditional annuities were actually to be provided out of the payments due from the German railways.

(3) The suspended payments both on War Debts and on Reparation account were to bear interest at the rate of 3 per cent. per annum and to be refunded in ten equal annual instalments, commencing on the 1st July, 1933. The original American idea had been simply to move on the schedule of all payments by one year, and the agreement finally reached was a compromise between that and the French proposal for repayment in two years.

(4) The French demand for credits to Central Europe was withdrawn, but the Bank for International Settlements was to organize the necessary assistance for the countries concerned.

(5) France recognized that the question of the Guarantee Fund

¹ See the *Survey for 1930*, pp. 498 n., 524.

was not of direct concern to the American Government and agreed to settle this point with the other Reparation creditors.

(6) Questions regarding deliveries in kind were to be brought before a committee of experts, which was to meet in London on the 13th July.

(7) Germany was to give guarantees that the sums released to her would be devoted to economic needs and not employed for the purpose of military expansion.

During the interval before the meeting of experts, which had been postponed till the 17th July and was to be followed by a meeting of European statesmen, also in London, on the 20th July, the situation in Germany grew rapidly worse.¹ So serious was the situation when the committee of experts met on the 17th July, that it adjourned till the 24th July in order to give the Seven-Power Conference time to deal with the bigger issues. This conference of statesmen sat for four days, but failed to agree on any joint governmental action to provide financial help for Germany.² It did, however, perform a most useful function by encouraging, with all the force of its authority, the bankers in the various creditor and neutral countries to take steps to stop the withdrawal of short-term funds from Germany, the eventual result of which was the drawing-up of the various Standstill Agreements.³ The committee of experts, which then reassembled, consisted of representatives of twenty-three countries (not including the United States of America). Its report, which was signed on the 11th August, 1931, consisted of seventeen documents, including a main report with protocols covering German and Eastern European Reparations, as well as agreements between the various allied Governments concerned.⁴

The main report agreed reluctantly with the Franco-American arrangement of the 6th July, by which all European inter-governmental debts affected by the moratorium should be repaid in ten equal, non-postponable annuities, commencing on the 1st July, 1933, and carrying interest at a rate not exceeding 3 per cent.⁵ This recommendation was made on the assumption that similar arrangements would be made with the United States Government. As regards Germany, the service of the Dawes and Young loans was to be continued without interruption. The conditional annuities were to be suspended for a year and then repaid in accordance with the general

¹ See the *Survey for 1931*, pp. 81-6 and 213-15.

² See *op. cit.*, pp. 87-90 and 217.

³ See *op. cit.*, pp. 99-100, 113, 143, 217-18, 239.

⁴ See *Cmd.* 3947 of 1931.

⁵ Afterwards increased to 4 per cent.

provisions outlined above; repayment was to be made by equal monthly instalments during the ten years 1933–43. In respect of the unconditional annuities, monthly payments were to be continued during the moratorium year, out of which the service of the Dawes and Young loans were to be met, the balance of some Rm. 45,000,000 per month being paid by way of loans in foreign currencies by the Bank for International Settlements to the German Railway Company, which was to be released from the Reparation tax of Rm. 55,000,000 per month during the holiday year. Existing credits for deliveries in kind were to be used, but any arrangement for the continuation of contracts was to involve no charge on the German Budget during the year, nor any injury to German economy. Agreements were also signed between Great Britain on the one hand and her war debtors on the other, providing for the suspension of payments by the debtors during the moratorium and arranging for repayment on the same terms as those applied to Germany.

It was agreed, however, that, in order to keep within the framework of the Young Plan, Germany must make a formal application under Article 119 of that Plan to the Bank for International Settlements for the postponement of the conditional annuities. This involved the convocation of the Special Advisory Committee therein provided for,¹ but as this committee did not meet until the 7th December, 1931, the account of its labours will be found later in this chapter.

The financial effect of the Hoover Moratorium may best be seen by the following summary² in tabular form of suspended receipts and payments converted at former pars of exchange.

It will be seen that the principal losers were the United States (£53,600,000), France (£16,100,000), Great Britain (£9,700,000), Jugoslavia (£3,300,000), Belgium (£2,400,000), and Italy (£1,800,000).

Although much of the effect of President Hoover's proposal had been lost by this delay in reaching agreement on details, the conclusion of the work of the experts, followed by the signature of the bankers' 'Standstill' Agreement on the 19th August, and the publication of the report of the International Bankers' Committee (the Layton-Wiggin Report) on the economic situation in Germany,³ tended towards the restoration of confidence, so that from now on it was possible to record some improvement in the situation. It would,

¹ See the *Survey for 1929*, p. 159.

² Reproduced by permission from *The Economist War Debts Supplement of the 12th November, 1932*.

³ See the *Survey for 1931*, pp. 99–100 and 217–18.

FINANCIAL EFFECT OF THE HOOVER MORATORIUM

<i>Government.</i>	<i>Suspended Receipts. £'000.</i>	<i>Suspended Payments. £'000.</i>	<i>Net Loss (-) or Gain (+) £'000.</i>
United States	53,600	Nil	-53,600
Great Britain ¹	42,500	32,800	-9,700
France	39,700	23,600	-16,100
Italy	9,200	7,400	-1,800
Belgium	5,100	2,700	-2,400
Rumania	700	750	+50
Jugoslavia	3,900	600	-3,300
Portugal	600	350	-250
Japan	600	Nil	-600
Greece	1,000	650	-350
Canada	900	Nil	-900
Australia ²	800	3,900	+3,100
New Zealand	330	1,750	+1,420
South Africa ³	110	(340)	-110
Egypt	90	Nil	-90
Germany	Nil	77,000	+77,000
Hungary	Nil	350	+350
Czechoslovakia	10	1,190	+1,180
Bulgaria	150	400	+250
Austria	Nil	300	+300

however, be a mistake to think that the statesmen of the world were so short-sighted as to believe that the whole problem had been solved by a moratorium on inter-governmental payments for a period of one year. The ink was scarcely dry on the various documents mentioned above before attempts were being made by various Governments to ascertain the views of their neighbours as to what action was to be taken in July 1932. No chart of these soundings has been published, but it is clear that early in September the German, French and British statesmen were already considering the question. British policy had always been to advocate complete cancellation of all inter-governmental debts, or, if that could not be achieved, the balancing of the debts due to them with what they themselves might have to pay. France was ready to cancel War Debts, but was not prepared to forgo Reparations. Germany had always regarded Reparations as unjust, and this view was also held by the United

¹ The British debit balance is accounted for by the War Debts of the Dominions, reconstruction debts and other items excluded from the scope of the Balfour Note.

² Only the interest on Australia's War Debt is included above, as repayment of the principal had already been suspended on the initiative of the British Government.

³ South Africa decided not to suspend payment on her War Debt to Great Britain.

States; but it was difficult for the United States Government, who were not directly interested in Reparations, to advocate their cancellation while demanding payment of debts due to them by their late Allies. The situation in the United States was particularly difficult, as President Hoover and his advisers were known to favour, if not a revision of War Debts and Reparations, at least some extension of the moratorium—a course which made no appeal to popular opinion in that country.

It was clear, however, that no advance towards a solution of the problem could be made in Europe until the attitude of the United States was known. Accordingly, in the second half of October, the French Prime Minister, Monsieur Laval, paid a visit to President Hoover at Washington.¹ The secret of these conversations was carefully guarded, but it was known that they concerned the problem of inter-governmental debts on the one hand, and the question of the withdrawal of French balances from America on the other. At the conclusion of these discussions on the 25th October, a *communiqué* was issued, of which the more important passages were as follows:

It has not been the purpose of either of us to engage in commitments binding our Governments, but rather, through development of fact, to enable each country to act more effectively in its own field.

It is our joint purpose that the conference for limitation of armaments will not fail to take advantage of the great opportunity which presents itself and that it will be capable of meeting what is in reality its true mission, that is, the organization on a firm foundation of permanent peace.

In so far as inter-governmental obligations are concerned we recognize that prior to the expiration of the Hoover year of postponement, some agreement regarding them may be necessary covering the period of business depression, as to the terms and conditions of which the two Governments make all reservations. The initiative in this matter should be taken at an early date by the European Powers principally concerned within the framework of the agreements existing prior to July 1, 1931.

Our special emphasis has been laid upon the more important means through which the efforts of our Governments could be exerted toward restoration of economic stability and confidence. Particularly we are convinced of the importance of monetary stability as an essential factor in the restoration of normal economic life in the world in which the maintenance of the Gold Standard in France and the United States will serve as a major influence.

It is our intent to continue to study methods for the maintenance of stability in international exchanges.

Although it was clear that no binding commitments had been undertaken, this *communiqué* was of importance inasmuch as it contained a tacit admission on the American side of the connexion between

¹ See the *Survey for 1931*, pp. 124-6.

Reparations and War Debts and of the possibility that it might be necessary to renew the moratorium in July 1932. From the French point of view, however, it secured that initiative in any such action should come from Europe, and that the United States would not again make proposals with regard to these questions without previous consultation with France, so that the structure of the Young Plan could be preserved. But it was also interpreted in France, and elsewhere in Europe, as implying that if the European Powers solved the Reparations problem, the United States would be prepared to deal with the War Debts problem.

After Monsieur Laval's return to France, negotiations were resumed between the French and the German Governments, with the German Ambassador in Paris, Herr von Hoesch, as intermediary. The German contention was that the Special Advisory Committee to be set up under the Young Plan should consider not only the conditional, but also the unconditional annuities and should, in fact, investigate Germany's capacity to pay any Reparations at all. It was also to have authority to decide on the vexed question of priority as between Reparations and short-term credits. The French, on the other hand, insisted once again that the letter of the Young Plan should be preserved by the restriction of the terms of reference of the Special Advisory Committee to the question of the conditional annuities, and declared that the priority of Reparations over short-term credits was not open to discussion. The British were inclined to be sympathetic to the German point of view with regard to the annuities, and definitely supported Germany in claiming that short-term credits should have priority over Reparations. It was eventually agreed, on the 18th November, that the German application for the formation of the Special Advisory Committee was to conform absolutely with the requirements of the Young Plan, but that it should be accompanied by a statement of the larger issues which would not be made the subject of a protest by France. It was also agreed that the committee should not deal with the question of priority, but that the short-term credits should be the subject of separate negotiations between the bankers concerned on both sides, and that both questions should be considered later by a conference at which the Governments would be represented. The German Government accordingly made formal application on the 19th November to the Bank for International Settlements for the appointment of a Special Advisory Committee.

Under the terms of the Young Plan,¹ this committee was to consist

¹ See *Cmd.* 3343 of 1929, Part 8 (e).

of seven members representing the seven Central Banks of the six principal creditor countries¹ and Germany. The committee met for the first time at Basle on the 7th December, 1931, and co-opted four additional members (Dutch, Swedish, Swiss, and Yugoslav). Sub-committees were appointed on Germany's foreign indebtedness, German assets abroad, the Budget, and the railways. But the main work of the committee in the first week was to examine the evidence, both written and oral, submitted by Germany. This was followed by an examination of the connexion between the German economic situation and the world crisis, and it was not until the 23rd December that it was possible to reconcile divergent views and obtain a unanimous report. This report, after an able review of the situation, declared that it would not be possible for Germany to transfer the conditional part of the annuity in the year beginning in July 1932. It pointed out that, so far from the steady expansion in world trade contemplated in the Young Report having taken place, the opposite had occurred, and that the exceptional fall in gold prices 'had greatly added to the real burden, not only of German annuities, but of all payments fixed in gold'. Under these circumstances concerted governmental action was called for, in a much wider field than that of Germany alone. It concluded by emphasizing the necessity for an adjustment of all inter-governmental debts and an appeal to the Governments concerned to take immediate action to ameliorate the grave crisis affecting the world.

But while the Special Advisory Committee (which included among its members one appointed by the Governor of the Federal Reserve Bank of New York) was sitting, events seemed to be moving in a backward direction in the United States. It will be recalled that, as Congress was not in session in June, President Hoover had secured the approval of the leading members of Congress before making the proposal for a moratorium.² The meeting of Congress on the 10th December was, therefore, the first opportunity which had occurred to obtain the ratification of the scheme by the Legislature; and immediate ratification was necessary if the instalments due from debtor countries on account of War Debts were not to be paid on the 15th December. President Hoover, anxious that the United States should continue to play as leading a part in December as she had played in June in the movement towards world recovery, included in his Presidential Message a recommendation for the re-establishment of the World War Foreign Debt Commission—the Commission

¹ i.e. Belgium, France, Great Britain, Italy, Japan and the United States of America.

² See p. 99 above.

of Congress which had carried out the various debt funding agreements between 1922 and 1927. In the course of his message he declared that it was clear that a number of the debtor Governments would be unable to make payments in full pending economic recovery and that it would be necessary in some cases to make still further temporary adjustments. Unfortunately, feeling among Congressmen was not the same as it had been when the leaders supported President Hoover in June. The realization that the moratorium plan had not resulted in the recovery of Europe, and the growing economic troubles of which the Congressmen had been witnesses in their constituencies for the past six months, made them regret the step which President Hoover had taken as 'favouring the foreigner' at the expense of his fellow countrymen. To be asked now, not only to ratify the moratorium, but also to set up machinery for 'still further temporary adjustments' was too much. The traditional rôle of Congress as the guardian of the people against the Administration had to be preserved. Accordingly, the proposal to re-establish the Debt Funding Commission was rejected, and the ratification of the moratorium was only carried through on the 22nd December, after an exhaustive investigation by committees of both Houses, and after a rider had been added that it was 'against the policy of Congress that any of the indebtedness of foreign countries to the United States should be in any manner cancelled or reduced'. The delay in ratification had put both the Administration and the debtor Governments in a difficult position with regard to the instalments due on the 15th December, but the Administration had notified the Governments concerned that it would not press for payment and with the ultimate ratification the difficulty was removed.

(c) THE LAUSANNE CONFERENCE

It became obvious soon after the 10th December that the United States Administration would not be able to take any active part in the international Conference which would have to follow the report of the Special Advisory Committee. But the wording of President Hoover's original proposal, as well as that of the Hoover-Laval *communiqué* in October, had led to a general belief that, if a satisfactory settlement of the Reparations problem could be reached and some progress made towards Disarmament, the United States would be willing to help Europe in the matter of War Debts. It was in this belief that negotiations for an international Conference on inter-governmental debts were set on foot after the despatch on the 7th December to the Governments concerned of a note containing the

views of the French Government on Reparations. By the 21st December, the views of Great Britain and Italy had been received and conversations had begun between the British and French Treasuries. On the 30th December the British Government suggested to the other Powers that the Conference should take place at Lausanne on the 18th January, 1932.¹

To the historian of the future, one of the most tragic factors in the story of the post-war economic crisis may well seem to be the delay which regularly occurred between the publication of any scheme to relieve the pressure and its actual inception. Just as in the case of the Hoover Moratorium much of its effect had been lost by the prolonged negotiations before it was put into force, so in this case nearly six months were to elapse between the British Government's suggestion of a Conference at Lausanne and the actual meeting there in June 1932. The negotiations between France and Great Britain continued during January 1932, but in view of a statement by the German Chancellor, Dr. Brüning, on the 9th January, that Germany could not possibly make any further political payments, it became clear that immediate agreement could not be reached. An attempt to agree on a proposal for a moratorium for Germany for another two years was defeated by the French insistence that this should apply to the conditional annuities only, the unconditional annuities being mobilized by the creation of railway bonds. This was followed by a proposal for a six months' moratorium, to be followed by a Conference in the autumn, by which time it was hoped that the United States Government would be able to join in a plan for the final settlement of Reparations and War Debts. This was coldly received by France because she thought that any further complete moratorium would mean the end of Reparations, and by Germany because she thought that it would not. It became obvious, however, in view of the approach of elections both in France and Germany, that the Conference must be postponed, and on the 14th February it was officially announced that the Conference would not be held until June, and that its object had been defined by the Governments concerned as: 'to agree on a lasting settlement of the question raised in the report of the Basle Experts and on the measures necessary to solve the other economic and financial difficulties which are responsible for, and may prolong, the present world crisis.'

It was generally accepted that agreement had been reached in principle between the British and French Governments as to their attitude towards Reparations, although the cynic might have observed

¹ See the *Survey for 1931*, pp. 139, 141-2.

that the word 'lasting' could cover both a final settlement as desired by the British, and a settlement of the kind desired by the French, which could be revised later if Germany recovered. During the four months which intervened before the opening of the Lausanne Conference, little of importance occurred with regard to either Reparations or War Debts, except for some excitement at the end of May with regard to agreements which the United States were then asking their debtors to sign. These agreements contained the detailed arrangements for the repayment of the sums due to the United States and postponed under the Hoover Moratorium, the only important change from the original proposal being an increase in the rate of interest payable from three per cent. to four per cent., following on a similar increase in the rate for inter-governmental European debts.

At the same time, it is reasonable to presume that discussions with regard to the Conference continued during this period; for, when it was announced on the 8th June that Monsieur Herriot had invited Mr. MacDonald and Sir John Simon to go to Paris on the 11th June, for a preliminary conversation with regard to the Conference, there was a general feeling that the French and British Governments were in closer *rapprochement* on these questions than they had been for a long time. This feeling was reflected in a *communiqué* issued just before the British Ministers left Paris, which spoke of 'a common point of view which makes it possible to foresee the adoption of fair and effective solutions at the Lausanne Conference, the strengthening of confidence and the maintenance of peace among the nations'. It was not indeed expected that France would agree to wipe the slate of Reparations clean, but Monsieur Herriot was understood not to be taking so definite a stand on the priority of Reparations and the inviolability of the unconditional annuities as his predecessor.

When the Conference opened at Lausanne on the 16th June, 1932, Mr. MacDonald was elected President, and a good impression was created by the decision which was taken on the 17th June that, should the Conference not be concluded by the 1st July, when certain inter-governmental payments became due, these payments would be postponed for the period of the Conference. It is true that the British proposal for a clean slate was rejected by the French, but the fears that a counter-proposal would be made by them for a further moratorium for six months were not realized. It was also significant that the resolution regarding the postponement of payments due on the 1st July spoke of a final and definite solution directed towards the

improvement of European conditions. Monsieur Herriot indeed was known to be prepared to make far-reaching concessions on the understanding that War Debts would be correspondingly reduced, though his Finance Minister, Monsieur Germain-Martin, was clearly acting as a brake. The Germans, too, were moderate in their attitude, though they might declare that they did not intend to pay any more Reparations, and though the German press threatened a moratorium for all commercial and private debts if a satisfactory agreement were not reached. The negotiations proceeded slowly for some days while Monsieur Herriot attempted to reassure opinion in France both by a visit to Paris and by speeches referring to the danger of German industrial competition and the disproportionate sacrifice which France would be called upon to make in the event of Reparations being abolished. The proofs put forward by the German delegation of Germany's incapacity to pay further Reparations produced a considerable effect, and when the Chancellor, Herr von Papen, spoke of economic compensations, the hopes of a settlement improved, although the Germans excluded any political *quid pro quo*. At this point the German Chancellor paid a hurried visit to Berlin on the 25th and 26th June, and his more cautious attitude on his return to Lausanne was attributed to pressure put on him by the German Cabinet. In fact, with opinion also hardening in France, it was clear that a crisis had been reached.

On the 30th June the negotiations were continuous. The principle which was slowly emerging was that Reparations as such should be abolished, but that Germany should undertake an obligation to make a payment at a later date to a common fund for European reconstruction, which would be administered by the Bank for International Settlements. As regards the amount, it was believed that the Germans had offered a lump sum payment by means of a bond issue of Rm. 2,000,000,000, and that the French had refused to consider less than Rm. 7,000,000,000. The creditors also refused to accept the settlement as final unless they reached agreement with the United States, whereas the Germans insisted that the whole object of the Conference was to reach a final settlement. By the 2nd July, the creditors had agreed on a proposal for a bond issue of Rm. 4,000,000,000, bearing interest at 5 per cent., but with a moratorium of three years before any part of the issue was to be made. This proposal was informally put before the Germans and promptly—though equally informally—rejected. On the 4th July, after an incursion by the Italians into the realm of War Debt relief, the Germans made a counter-proposal for an amount of Rm. 2,000,000,000, but they

accompanied it with a demand for the cancellation of the War Guilt clauses of the Treaty of Versailles. The introduction of political conditions at this moment was unfortunate, as Monsieur Herriot had been forced to return to Paris, where his Government was seriously threatened in the Chamber; but the adoption by Mr. MacDonald and Herr von Papen of the customary conference technique of threatening to return home if agreement were not reached within twenty-four hours enabled Monsieur Herriot to quell the revolt and return to Lausanne. The 5th July was spent in bargaining, and though the Germans raised their figure to Rm. 2,600,000,000, they repeated their demand that the War Guilt clauses be annulled and added a further claim for equality of armaments.¹ The deadlock continued throughout the 6th and 7th July. The good offices of the British delegation were constantly in demand, and eventually, at 2 a.m. on the morning of the 9th July, agreement was reached at a meeting of the British, French and German delegations. Monsieur Herriot himself announced the success of the Conference to the representatives of the press by saying 'it is done', at the same time symbolically embracing two lady journalists, the one French and the other German.

The principles of the Agreement² were: (1) the abolition of Reparations; (2) the abrogation of the Hague Agreement of January 1930,³ the London Agreement of the 11th August, 1931,⁴ and the Berlin Agreement of the 6th June, 1932;⁵ and (3) the delivery by the German Government to the Bank for International Settlements of 5 per cent. redeemable bonds with one per cent. sinking fund to the amount of Rm. 3,000,000,000. The Bank was to have the right to negotiate these bonds by means of public issues in such amounts as it thought fit, provided that no bonds should be negotiated for three years from the date of the agreement, that the issue price should not fall below 90 per cent. (subject to a lower price to be decided on by a two-thirds majority of the Board of the Bank for International Settlements

¹ On the question of equality in armaments, see Part III, section (ii), of the present volume.

² *Cmd.* 4126 of 1932. The Agreement was signed by representatives of Belgium, Great Britain, Canada, Australia, New Zealand, South Africa, India, France, Italy, Japan, Poland and Germany.

³ *Cmd.* 3484 of 1930, except Article 3 (Liquidation of Past) and Articles 6 and 10 (Bank for International Settlements). For the Hague Agreement, see the *Survey for 1930*, Part VI, section (iii) (d).

⁴ *Cmd.* 3947 of 1931. See p. 102 above.

⁵ i.e. a supplementary protocol to the protocol concerning Germany signed in London on the 11th August, 1931. The text of the protocol of the 6th June, 1932, will be found in *Cmd.* 4206 of 1932.

after five years), and that all bonds not issued after fifteen years should be cancelled. The proceeds of the bonds were to be placed to a special account pending future agreement between the creditor Governments as to their allocation, and the German Government further undertook to apply one-third of the net proceeds of any foreign loan which they might subsequently issue to the purchase of these bonds. An agreement was also signed releasing Germany from the liability to make any payments pending the ratification of the main agreement or pending notification by one of the six major Governments of their decision not to ratify.

Provision was also made for a committee to report on measures to overcome transfer difficulties and to revive trade in Central and Eastern Europe, and a resolution was passed embodying the decision to invite the League of Nations to convoke a World Economic and Financial Conference.

It will be seen that the Germans had dropped their political demands; but it might be argued that since Reparations were based on the recognition by Germany of her responsibility for the War, their abolition implied a concession to German susceptibilities in this matter. In addition, a striking declaration, drafted by Monsieur Herriot himself, was included in the Agreement, which referred in its opening paragraph to 'the establishment and development of confidence between the nations in a mutual spirit of reconciliation, collaboration and justice'.

The Lausanne Conference appeared at first sight to be the actual, if not the nominal, end of Reparations. The name had been abolished and whereas, before the Conference, Germany was bound to pay instalments the present value of which amounted to a total of some \$25,000,000,000, after the Conference the present value of her maximum liability on account of interest and sinking fund, if all the bonds were issued, could not amount to more than \$2,000,000,000. And, in fact, no one anticipated that these bonds ever would be issued in full. The agreement was well received everywhere, except among the Nazis in Germany, who demanded an absolutely clean slate; but in England and the United States it was accepted that the small amount of writing on the slate was so faint as to be practically indecipherable.

French satisfaction was less easy to understand until it became known a few days later that there was, in fact, another agreement which had been signed by the creditor Powers at Lausanne and which safeguarded their position. The text of this agreement which, although it was signed on the 2nd July, was not published until the

13th July¹ and which came to be known as the 'Gentlemen's Agreement', was as follows:

The Lausanne Agreement will not come into final effect until after ratification as provided for in the Agreement. So far as the creditor Governments on whose behalf this *Procès-Verbal* is initialled are concerned, ratification will not be effected until a satisfactory settlement has been reached between them and their own creditors. It will be open to them to explain the position to their respective Parliaments, but no specific reference to it will appear in the text of the agreement with Germany. Subsequently, if a satisfactory settlement about their own debts is reached, the aforesaid creditor Governments will ratify and the agreement with Germany will come into full effect. But if no such settlement can be obtained, the agreement with Germany will not be ratified; a new situation will have arisen and the Governments interested will have to consult together as to what should be done. In that event, the legal position, as between all the Governments, would revert to that which existed before the Hoover Moratorium.

The German Government will be notified of this arrangement.

The document was signed by the representatives of Belgium, Great Britain, France and Italy. The White Paper in which it was published also contained the report of a question addressed at the final meeting of the Lausanne Conference by Herr von Papen to Mr. MacDonald and the latter's reply, in which it was made clear that in the event of any inability to fulfil the agreement, a further Conference would be held. There was also included a letter dated the 8th July from the British Chancellor of the Exchequer to the French and Italian Ministers of Finance undertaking not to demand payments on account of the War Debts from France and Italy due to the United Kingdom, on the same conditions as in the case of Germany with regard to ratification or non-ratification.

The news of the existence of this document created great excitement throughout the world. In Great Britain, a parliamentary debate on the 11th and 12th July was largely occupied with the question of this 'Gentlemen's Agreement' and suspicion was only partly allayed by the Government's assurance that the German delegates had been aware of it before the Lausanne Agreement was signed and by the publication of the text.² In the United States the satisfaction at the successful conclusion of the Lausanne Conference was almost completely nullified by the Gentlemen's Agreement, which was regarded as an attempt to hold a pistol to the head of the

¹ It was published in Great Britain as the parliamentary paper *Cmd.* 4129 of 1932.

² The principle behind the document was, of course, the same as that behind the Balfour Note, namely, that Great Britain's incomings and outgoings on account of War Debts and Reparations should balance.

United States in order to secure the cancellation of War Debts due to that country. This feeling was intensified by an incautious statement by the Chancellor of the Exchequer (Mr. Chamberlain) in the course of the debate in the House of Commons, which seemed to imply that the United States Administration had given some sort of pledge that War Debts would be cancelled if Reparations were abolished at Lausanne. It need hardly be said that this suggestion was immediately denied in Washington and that the denial was accepted by Mr. Chamberlain. At the same time the terms of the Hoover-Laval *communiqué* of the 25th October, 1931, if nothing else, gave ground for the belief that the settlement of the Reparations problem would be regarded by the existing Administration as a considerable factor in any future attempt to settle the problem of War Debts.

On the 12th July, an additional shock was administered by the announcement in the House of Commons that a further agreement¹ had been signed at Lausanne between the British and French Governments, in the following terms:

1. In accordance with the spirit of the Covenant of the League of Nations they [the British Government and the French Government] intend to exchange views with one another with complete candour concerning, and to keep each other mutually informed of, any questions coming to their notice similar in origin to that now so happily settled at Lausanne which may affect the European régime. It is their hope that other Governments will join them in adopting this procedure.

2. They intend to work together and with other Delegations at Geneva to find a solution of the Disarmament question which will be beneficial and equitable for all the Powers concerned.

3. They will co-operate with each other and other interested Governments in the careful and practical preparation of the World Economic Conference.

4. Pending the negotiation at a later date of a new commercial treaty between their two countries they will avoid any action of the nature of discrimination by the one country against the interests of the other.

This agreement was received with satisfaction in France (where it was regarded as going some way towards providing that guarantee of security for which France had long been asking), with misgiving in England, with unfortunate results in Italy, and with great suspicion in the United States. In fact, in the last-named country the existence of these two documents and the apparent reluctance with which their publication was authorized formed a large part of the basis for the feeling, which underlay all the subsequent international

¹ *Cmd.* 4131 of 1932.

regard to the postponement of payments on capital account on the 15th December¹ (though these were only a small part of the total War Debt payments to be made on that date) must give notice by the 15th September. Poland, Estonia and Latvia alone took advantage of this, in respect of capital payments to a total amount of \$1,252,000, but Germany notified the United States Treasury of her intention to postpone the payment of some \$7,800,000 due on the 30th September on account of Mixed Claims and the cost of the United States Army of Occupation.² But the main debtor countries decided to make no move. This decision was partly due to the smallness of the advantage to be gained by such a postponement and to the hope of a general settlement of War Debts before the 15th December, and partly to a tacit understanding which had been reached between the European debtors not to raise the issue of War Debts until after the American presidential election which was to be held in November. On their side, the two great American political parties and their presidential candidates refrained from making either War Debts or the proposed World Economic Conference a party question during the election campaign. Both parties, however, were pledged to oppose cancellation of the debts and both candidates expressed apprehension of a united European front in this matter.

It was, indeed, common knowledge on both sides of the Atlantic that the question would be raised immediately after the presidential election on the 8th November. In fact, the Greek Government defaulted on a payment two days later, and the Hungarian Government notified their intention to default. On the same day (the 10th November) the long and important interchange of notes between the debtors and the creditor began with the presentation of the first British note,³ followed by the first French note⁴ on the 11th November.⁵ The British note referred to the Hoover Moratorium, the Hoover-Laval *communiqué* of October 1931,⁶ and the Lausanne Settlement, recited the belief of the British Government that the 'régime of inter-governmental financial obligations, as now existing,

¹ The date for annual payments on capital account was the 15th June, and not the 15th December, in the case of France, Italy and some other countries.

² See the special agreement between Germany and the United States, signed on the 23rd June, 1930. (Text in *L'Europe Nouvelle*, 19th April, 1930.)

³ The text was published as *Cmd.* 4192 of 1932.

⁴ The text was published in *Le Temps*, 15th November, 1932.

⁵ Belgium followed suit on the 15th November, Czechoslovakia and Poland on the 22nd November, Latvia on the 28th November, and Lithuania on the 10th December.

⁶ See p. 105 above.

must be reviewed', and asked for an exchange of views at the earliest possible moment.¹ The note then continued as follows:

The immediate objective of the present note, however, is of a more limited nature. On the 15th December the next instalment of the British War Debt is due to be paid. It is not possible to hope that agreement can be achieved in five weeks on matters of such vast scope. Confronted last summer with a similar difficulty, the Conference of Lausanne found it necessary, in order to allow its work to proceed undisturbed, to reserve, during the period of the Conference, the execution of the payments due to the participating Powers. His Majesty's Government in the United Kingdom hope that a similar procedure may now be followed, and ask for a suspension of the payments due from them for the period of the discussions now suggested, or for any other period that may be agreed upon.

It will be observed that the note was simply a request for a review of the whole situation, with a moratorium for the period of the discussions, based on the fact that the measures so far taken had not been sufficient to put an end to the economic depression, and that no arguments, either moral or economic, for revision of the British debt as such were advanced. No specific mention was made of the other debtor countries, which might have given rise to the suspicion of a united front, but the whole argument was that there must be a revision of all inter-governmental payments. The French note contained the same requests, though in the opening paragraphs it connected the concessions made at Lausanne more directly with the Hoover-Laval *communiqué* than the British note did. The interdependence of Reparations and War Debts, however, was not directly mentioned.

In view of the similarity of the notes and of their almost simultaneous presentation, fresh fears of a united front were expressed in the United States;² and although the French Government denied that the terms of the British note had been communicated to them before despatch, it was admitted in the press that there had been exchanges of views between the two Governments. Apart from this, however, there was reason to believe that the tide of public opinion was beginning to turn, however gradually, in the United States and that many among the intelligentsia who had previously been opposed to any revision of the debts were beginning to realize the economic necessity of according some further relief to Europe. The moment was, however, particularly unfavourable to action in the United

¹ It is of interest to note that it was then formally proposed to authorize the British Ambassador at Washington, Sir R. C. Lindsay, to conduct the negotiations.

² Owing to the absence of President Hoover in California, the notes were not published until the 14th November.

States. Apart from the economic depression, the Hoover Administration was deprived of all moral authority after the crushing defeat of the Republican Party at the congressional, as well as at the presidential elections, and Congress was still rigidly opposed to revision.¹ In this situation, President Hoover, on the 13th November, invited by telegram Mr. Roosevelt, the President-Elect, to consult with him in view of the certainty that the negotiations would extend into the next Administration and in view of his influence with a large number of Congressmen. In his communication, the President made it clear that any commitments entered into between the European Governments at Lausanne could not have been based upon any assurances of the United States, but declared that in his view the United States should be receptive to proposals of tangible compensation in the form of expansion of markets for United States labour and farm products, as well as in the realm of disarmament. Mr. Roosevelt accepted this invitation on the 15th November, but made it clear that his visit would be an informal one and that final responsibility rested on the existing Executive and Legislature. The President and Mr. Roosevelt accordingly met on the 22nd November and subsequently issued separate statements of their points of view. The President, in his pronouncement, after repeating that he could take no action without the approval of Congress and that, while War Debts and Reparations were entirely separate, War Debts and Disarmament had a close connexion, declared himself opposed to a postponement of the December payments, but in favour of the establishment of a Commission to review the situation with each of the debtor Governments individually. He also declared that he would consider payment of the December instalment in foreign currencies of which transfer would only be made as the exchanges permitted. Mr. Roosevelt, in his statement, agreed with the main basis of the President's contentions, but refused to take any responsibility regarding the December payments and expressed himself as opposed to the setting-up of any commission, holding that a debtor Government could at any time have access to the American Executive through the ordinary diplomatic channels. The underlying difference between the two points of view is made clear by two quotations from Mr. Roosevelt's statement. 'No action by the Congress', he wrote, 'has limited or can limit the constitutional power of the President to carry on diplomatic contacts or conversations with foreign

¹ At the same time President Hoover was not to vacate his office nor Congress to be dissolved until the 4th March, 1933, so that the responsibility in connexion with the payments due on the 15th December rested with them.

Governments'; and again: 'It is equally true that existing debt agreements are unalterable save by Congressional action.' He thus rejected the theory of successive Republican Administrations that Congress was entitled to negotiate the settlements¹ and contended that subsequent ratification by Congress was all that was necessary.²

On the 23rd November, the American replies to the first British and French notes were despatched. The note³ to Great Britain, after recalling that not only was the ultimate decision in these matters reserved to Congress, but that Congress itself in the past had provided the machinery, and after acknowledging the importance of the Lausanne Settlement (but not any responsibility for it), pointed out that, while the depression had affected the debtor nations, it had also fallen with great weight upon the American people. It went on to say that the President favoured the establishment of a Congressional Commission for individual examination of the situation with any debtor Government, but saw no fresh arguments in the British note which would be likely to affect Congress, which alone could authorize a postponement of the December payment. It argued further that payment in December would greatly increase the prospects of an ultimate settlement of the question.

The American reply to the French note followed the same lines,⁴ but was different in several important respects. It emphasized strongly that there was no connexion between Reparations and War Debts, hinted that the proposition with which the Lausanne Conference had been faced was different from that which now existed, and declared that 'the United States Congress concluded with each of its debtors arrangements which, in its intention and in its opinion, were both liberal and wholly within the capacity of the debtor to pay without jeopardizing its finances and currency or preventing it from maintaining, and if possible improving, the standard of living of its citizens'. The Administration also crystallized the general feeling in the United States that while Great Britain had perhaps been treated with some hardness in the original settlement, France

¹ It was on this theory that the original Debt Funding Commission had been set up.

² It will be understood that both the President and the President-Elect held that modifications in existing settlements were to be regarded as bills affecting the revenues of the United States and consequently requiring a simple majority of both Houses, rather than as treaties requiring a two-thirds majority of the Senate alone.

³ The text was published as *Cmd. 4203* of 1932.

⁴ The text was published in *The United States Daily*, 28th November, 1932. Similar notes were also sent to Belgium, Czechoslovakia and Poland.

and were taken in the form of goods. Their repayment would involve a dislocation of commerce, which, in view of the refusal of the creditors to receive payment in goods, had so far only been avoided by the extent of the flow of foreign investment by the United States, but this flow had stopped suddenly in 1929. The only means of payment left was gold, the drain of which from some countries had reduced world prices and, while increasing the burden of all debts, had made the burden of unproductive war debts intolerable. World trade had also decreased by 50 per cent. in three years. The American principle of payment according to the capacity of the debtor did not mean payment to the full extent of capacity.¹ The taxpayer in any country had to pay the burden of remitted debt and in Great Britain the taxpayer had already assumed a burden of £80,000,000 per annum under the Balfour Note principle. The total amount involved in the debts to the United States was \$270,000,000 per annum, but payment would reduce the normal exchange of goods, while even a partial business recovery as the result of revision would mean a greatly increased yield from taxation.

2. The payment of War Debts was, therefore, inconsistent with the existing economic organization of the world. But, apart from that, Great Britain's record justified her request for consideration. Of \$12,000,000,000 which she had raised in the United States during the War, only \$4,000,000,000 was inter-governmental debt. The other \$8,000,000,000 had either been paid for in goods, services, gold and securities or, in so far as it consisted of commercial loans, had been repaid. As regards the \$4,000,000,000 of inter-governmental debt, \$1,352,000,000 already had been paid, of which \$202,000,000 was on account of principal. The British debt had originally been 40 per cent. of the total of American inter-governmental loans, whereas her payments were 80 per cent. of total payments on this account. Further, Great Britain, having been the first nation to fund her debt, had so far paid £200,000,000 more than she received. It was pointed out that the British debt had been incurred in gold and that the depreciation of sterling increased the cost of the December payment from £20,000,000 to £30,000,000, while wholesale prices being now only half as high as they were during the War, the burden

¹ The following quotation from the Annual Report of the Secretary of the United States Treasury for 1924-5 was cited: 'The debtor Government must be permitted to preserve and improve its economic position, to bring its budget to balance and to place its finances and currency on a sound basis and to maintain and, if possible, improve the standard of living of its citizens. No settlement which is oppressive and retards the recovery and development of the foreign debtor is in the best interests of the United States or of Europe.'

of the debt was doubled. The ratio, also, of the British debt to the United States to the value of exports to the United States had altered from 50 per cent. to 300 per cent., so that a change in the balance of trade would become necessary if payments were resumed, and the only apparent means by which this could be achieved would be the further restriction of the import of American goods, and especially farm produce.

3. The third part of the note, after referring to the Hoover Moratorium, the initiative taken by Germany's creditors at Lausanne 'with the cognizance and approval of the United States Government', and the *de facto* connexion between War Debts and Reparations, recorded the assumption that the United States would not require preferential payment over payments to Great Britain by her creditors and pointed out that the resumption of payments to Great Britain would mean the destruction of the Lausanne Settlement. It recalled the recognition of these facts by the United States Government as recorded in their acceptance of the principle of a review of the situation, but it declared that a postponement of the December payment was no less essential, especially in view of the difficulties of transfer in present circumstances—pointing out that the British Government's reserves of foreign exchange were adequate for the support of sterling but not for the debt payment of \$95,500,000 as well. It rejected the proposal of payment in foreign currencies for transfer at a later date as constituting a continual threat to the exchange market, and pointed out that the only means of payment left would be in gold, out of reserves which were no more than sufficient for the responsibilities of London as a financial centre.

If the contents of this note have been given at some length, it is because the note constituted, not only the record of the British case, but also the whole economic argument against the transfer of vast amounts of inter-governmental payments.¹ The French note of the 1st December² confined itself, after expressing its pleasure at the American Administration's willingness to review the whole situation, to a reiteration in greater detail of the historical factors from the date of the Hoover Moratorium onwards which, in the opinion of the French Government, rendered the resumption of payments impossible. It concluded with an appeal to the United States not to fail in supporting the French Government in their efforts to bring

¹ It will be observed that no moral case was made except to say that Great Britain 'had deserved well of the Republic' in the matter of payments hitherto.

² The text was published in *Le Temps*, 3rd December, 1932.

about economic recovery throughout the world, and emphasized again the grave consequences of retrograde action at that moment.

The British note was applauded in England as a true statement of the case and on the whole it was not badly received in the United States, though its length, however inevitable if the case were to be properly put, prevented its being widely read in full, while the extracts published in the press tended to be taken from those sections which were most open to criticism. It was not to be expected that the main economic thesis—that it would do less harm to the United States in the long run to remit the debts than to collect them—would be immediately accepted; and there was in fact considerable resentment among the mass of the population at this apparent attempt on the part of the debtors to educate the creditors in a way which happened to be advantageous to the debtors themselves. There was a large measure of support for this argument in economic, business and official circles, which were, however, considerably disturbed at the threat of new tariff barriers aimed at American goods. But Congress had already committed itself against any further suspension of payments, and it was soon clear that no change could be expected in this respect as long as the old Congress existed.

The outlook, therefore, early in December was gloomy for the future of relations between the United States and Europe. In France and in England there was a large body of opinion which favoured default, while in the United States a far larger proportion still looked at War Debts from the point of view expressed in Mr. Coolidge's famous phrase: 'They hired the money, didn't they?' The Governments on both sides of the Atlantic were, however, concerned above all to prevent any break in friendly feelings. On the 2nd December, Monsieur Herriot's Government secured a large majority on their refusal to allow a debate in the Chamber on War Debt policy. On the 6th December, however, President Hoover's Message to Congress contained only a formal reference to the exchange of notes, and put forward no proposal for action.

The American reply¹ to the second British note was also received on the 7th December. In this note, the United States Secretary of State, after repeating his willingness to conduct a close examination of the whole subject, proceeded to deal with a number of statements in the British note, to which the United States took exception. (i) The note pointed out that the War loans were not all used for destructive purposes, but that much of the money was spent on food and cotton and to support the exchange and that many of the

¹ The text was published as *Cmd.* 4211 of 1932.

post-Armistice loans were used for relief and recovery purposes.¹ (ii) It considered that the British note over-emphasized the importance of War Debts as a contributory cause of the depression. (iii) It complained that in the trade figures quoted in their note the British Government had not included invisible items. (iv) It contested the argument that the payment of War Debts had led to a drain of gold from Europe. (v) It disclaimed responsibility for the Lausanne Settlement.²

With regard to the payment of the December instalment, the note referred to informal suggestions which had been made to overcome the transfer difficulty,³ since the British Government had refused the offer that they should pay in sterling which would only be transferred as the state of the exchanges permitted. It concluded by expressing the Administration's confidence that Congress would be willing to consider any reasonable suggestion made by the British Government to facilitate the payment due on the 15th December.

The American reply to the second French note was received in Paris on the 8th December.⁴ After welcoming the suggestion of a close examination in the same terms as in the note to Great Britain, it continued:

My Government, however, has not been able to reach the conclusion that a postponement of the 15th December payment from the French Government to the United States is necessary because of its effect on the problem of recovery. Although we recognize the serious budgetary difficulties which the French Government, in common with all other Governments, is now facing, the sum involved in this case and the transfer thereof would hardly seem to my Government to be of disturbing weight or difficulty in respect to world economy or the re-establishment of prosperity. Maintenance of these agreements in their operation pending due opportunity for analysis of all matters bearing upon your request for revision and its consideration by the American Congress and people still appears to us to outweigh any reasons presented for a delay.

¹ This was true of some of the debtors. In the case of Great Britain some of the funds were used during the War for food and cotton and exchange purposes, but none of her debt was contracted after the Armistice.

² In the course of a statement in the House of Commons on the 14th December, 1932, the Chancellor of the Exchequer, Mr. Chamberlain, referred to this in the following words: 'I may say that the United States Government indicated also to the British Ambassador that, if the European Powers devised a reasonable reparations settlement, this would be the best method of approach with a view to the revision of the War Debts due to the United States.'

³ The proposal was that the payment should be made in bonds, which should be marketable on the New York Stock Exchange. This was rejected by the British Government as being 'merely another way—and not a very agreeable way—of making the payment'.

⁴ The text was published in *The New York Times* on the 10th December, 1932.

The note concluded with a reminder of the importance of making the payment on the 15th December. That same evening (the 8th December) there was a conference in Paris between Monsieur Herriot, Mr. MacDonald, and Mr. Chamberlain, after which there were indications that the policy of both Governments would be to pay in gold on the 15th December.

In Great Britain the nature of the reply was not unexpected and public opinion resigned itself to payment in gold; but in France there was a growing feeling that the terms of the last American note showed that France had made large sacrifices at Lausanne in the mistaken, but not unjustified, belief that the United States would make a similar gesture; and the conclusion was that France would now be morally justified in withholding payment. It was true that France was also a debtor towards Great Britain, but that country was now standing by her and the Lausanne Agreement. A further cause of irritation in France was the American insistence on linking revision of the debts with disarmament, to which her reaction was somewhat similar to the American reaction to the British economic arguments for cancellation. In addition, French public opinion felt that it would be vain to trust again to American generosity by making the December payment in the expectation that it would facilitate the ultimate settlement, as the American note declared. On the other hand, the French Government, under Monsieur Herriot's leadership, inclined towards payment, principally, it was said, because of Monsieur Herriot's desire to respond to the support accorded to the French Government by the British Government.

Under these circumstances, the British decision could not be long delayed, nor indeed would any useful purpose have been served by further discussions. With very few exceptions, opinion favoured payment under conditions. On the 11th December, therefore, the British Government addressed a third note¹ to the United States Government. In this note they reserved their comments on the American criticisms of the 7th December on the earlier British note until the negotiations should take place, and proceeded to deal only with the question of the payment due on the 15th December—four days later. They declared that no solution except suspension could obviate the transfer difficulties and that, as the United States Government would not agree to recommend this to Congress, no alternative remained except to pay in gold, under a most important condition which they expressed as follows:

In the view of His Majesty's Government, therefore, the payment to

¹ *Cmd.* 4215 of 1932.

be made on the 15th December is not to be regarded as a resumption of the annual payments contemplated by the existing Agreement. It is made because there has not been time for the discussion with regard to that Agreement to take place, and because the United States Government have stated that in their opinion such a payment would greatly increase the prospects of a satisfactory approach to the whole question.

His Majesty's Government propose accordingly to treat the payment on the 15th December as a capital payment, of which account should be taken in any final settlement; and they are making arrangements to effect this payment in gold as being in the circumstances the least prejudicial of the methods open to them.

The note then urged a final settlement before the 15th June, 1933, the date of the next payment, in order to avoid the risk of a general break-down of inter-governmental payments.

This note produced an immediate reply. On the same day (11th December) the Secretary of State handed to the British Ambassador a note¹, in which he pointed out that the Executive had no power to alter the agreements approved by Congress with regard to War Debts and that, therefore, the amount to be paid by the British Government on the 15th December must be credited to principal and interest, as laid down by law. The British Government replied in a last note² on the 12th December, declaring that they had no intention of touching upon any matter affecting the constitutional position of the United States Government, but that they had merely pointed out the consideration under which they would make the payment and to which they would recur when the whole situation came to be examined.

In the meantime the position in France had gone through many changes and was still in doubt. The Government had decided to follow the British lead and recommend payment of the sum due on the 15th December as on capital account only and not as a resumption of payments; but the Financial and Foreign Affairs Commissions of the Chamber had at the last moment passed a resolution inviting the Government to default. The debate began on the 13th December, but Monsieur Herriot's spirited appeal for conditional payment³ was offset by the American note of the 11th December to Great Britain, which was interpreted as a refusal to accept anything except unconditional payments. In the early morning of the 14th December the Government's proposal was defeated by 402 votes to 187 and Monsieur Herriot resigned. Default on the 15th December was then

¹ *Cmd.* 4216 of 1932.

² *Cmd.* 4217 of 1932.

³ The text of the proposed note was actually before the Chamber. It announced payment on the 15th December, on account of the new agreement to be arrived at, and declared that France could not continue the old system. For the text, see *Le Temps*, 14th December, 1932.

a certainty and France notified the United States that negotiations were suspended.

When the date of payment actually arrived, it was found that Great Britain had paid in gold and that Czechoslovakia, Finland, Italy, and Lithuania had also paid, while Belgium, Estonia, France, Hungary, Poland¹ and Jugoslavia were in default. In the case of Austria, Greece and Latvia, postponement had been arranged within the terms of their agreements, while no payment was due from Rumania until June 1933. Meanwhile Great Britain refrained for the time being under the terms of the Gentlemen's Agreement from making any demands for payment from her debtors. The total amount paid to the United States was \$98,685,910, while the amount in default was about \$25,000,000 and the amount postponed about \$1,300,000.

It may be of some value to examine at this point the state of mind of the people and also the relationship between the Executive and the Legislature in the three nations principally concerned. In Great Britain alone were the people, the Legislature and the Executive in general agreement. This may have been due to greater discipline and greater experience in political negotiations; or it might perhaps be thought to have been in large measure owing to the existence of a National Government chiefly composed of members of much the strongest political party at the time and supported by the great majority of the press; or, again, it may merely have been due to the fact that at that time Great Britain was almost equally creditor and debtor. In any case the debate on War Debts in the House of Commons on the 14th December, 1932, made it clear that public opinion was behind the Government in their policy of payment of the December instalment on condition that the whole system was revised and the payment regarded as only on account. It was clear that to default on a single payment of an amount which it was obviously not impossible for Great Britain to pay would administer a most serious shock to her reputation and might also be taken as a precedent not only by her inter-governmental debtors, but also by the many foreign countries which had raised loans on the London market. At the same time the determination was growing not to pay again on anything approaching the existing scale.

In France, on the other hand, the weakness of the *bloc* system was that, with so many alternative Governments, stability no longer existed and the fall of a Government had ceased to be regarded as an event of any great importance. This habit of mind no doubt con-

¹ Poland and Estonia had previously arranged for postponement of part of their instalments.

tributed to the parliamentary revolt which overthrew Monsieur Herriot and resulted in the default of France, as was seen from the surprise exhibited when the consequences of this action began to be realized. At the same time more direct forces were at work, which have already been described, in the form of a real belief that France, who had abandoned Reparations on American initiative (as the French believed) without achieving security, was being held to what became an unjust bond, and that revision was being connected with disarmament. For the rest of December public opinion in France was interested chiefly in internal politics, though behind the scenes attempts were made to renew the negotiations with the United States. These attempts were abandoned, however, when it became clear that the French Chamber would not go back on its decision without some excuse being given to it and that public opinion in the United States was in no mood to provide the excuse.

In the United States the position was even more complicated. The outgoing Administration, which was known to favour revision of the agreements and the postponement of the December payments, was powerless in the face of the unyielding opposition of Congress. There is no doubt that Congress still represented the greater part of public opinion in this respect, though there were signs that a change was slowly coming about. The business and financial centres on the East Coast and, to some extent, on the West Coast had long favoured cancellation or revision, and now reports from the Chambers of Commerce throughout the country and from the cotton-growing areas of the South began to show a realization of the connexions between the state of trade and the movement of vast non-commercial payments over the exchanges. But in the main the Middle West stood firm, and the effect of the depression was merely to strengthen the view so commonly held that this was no moment to transfer a burden of \$270,000,000 a year from the European to the American taxpayer. There was also great confusion of thought between the budgetary and exchange problems, it being thought that both Great Britain and France could easily make budgetary provision for debt payments and that the transaction would then be complete. It was natural that public opinion should resent European attempts to educate it, especially when the arguments applied, however true, had so specious an appearance. But it must be remembered that it was the failure of responsible authority in the States to educate public opinion on these matters during the years of plenty which rendered the attempt at education from abroad inevitable during the lean years.

But in addition the Hoover Administration was in a difficult position as the arbiter for the moment on questions which must be one of the main cares of its successor. Indeed, the next phase in connexion with War Debts is concerned with the negotiations between President Hoover and President-Elect Roosevelt regarding the immediate steps to be taken by the United States *vis-à-vis* its European debtors. The outgoing President, knowing that his policy was by no means that of his successor, was unwilling during his last months of office to take steps which might embarrass the new President and which might even be used as a weapon against himself and his party at the next election four years later. Mr. Roosevelt on the other hand was loath to take any sort of responsibility in advance for actions which he could not control. On the 17th December President Hoover telegraphed to Mr. Roosevelt with regard to War Debts which, he pointed out, could not be dissociated from the World Economic Conference. Referring to the machinery for dealing with War Debts, he declared that satisfactory conclusions could only be reached by free and direct round-table discussion with each Government separately, where agreement might be had upon facts and where conclusions could be reached before the World Economic Conference, and that for this purpose it would be necessary to appoint a special delegation, in the selection of which he asked for Mr. Roosevelt's assistance, in order that the machinery might be ready by the 4th March, 1933. Mr. Roosevelt, in his reply on the 19th December, expressed his opinion that the questions of disarmament, inter-governmental debts, and permanent economic arrangements would be found to require selective treatment. He agreed that any debtor nation could approach the United States, but pointed out that the Chief Executive had full authority to conduct the preliminary conversations through diplomatic channels or by special agents without consulting Congress. But he urged that these conversations should only be fact-finding and that permanent delegates should not be appointed until after the 4th March, though even in that case he declined to take any part in their selection beforehand.

On the same day (19th December), President Hoover addressed a Message to Congress,¹ in which he referred to War Debts at some length. In giving his reasons for refusing to postpone the December payments, he said that postponement would have broken the agreements, involved dealing with more than one debtor at a time, recognized the relationship between War Debts and Reparations, given no real relief to the world situation, and would not have been

¹ For the text see *The United States Daily*, 20th December, 1932.

a proper call upon the American people for further sacrifices. After touching lightly on the economic arguments, he said that any adjustment of cash payments must be compensated by definite benefits in markets and in other things, even from those who had honoured their obligations. The question of debts was to be excluded from the agenda of the World Economic Conference, but preparations must be made to deal with it at once, and he proposed that a delegation, consisting partly of members of Congress, should be appointed with Mr. Roosevelt's approval before the 4th March. This delegation would eventually deal with both War Debts and with preparations for the Conference, unless Congress preferred to set up a Commission of its own. On the 20th December he telegraphed again to Mr. Roosevelt, urging his co-operation and pointing out that his proposal referred only to machinery and not to solutions, but Mr. Roosevelt again refused on the 21st December to take responsibility, though he repeated his desire to be kept informed of events. Mr. Roosevelt's refusal was announced by President Hoover in a statement which concluded: 'I will respect his wishes,' so that all hopes of action before the 4th March ended.

(2) *1st January to 4th March, 1933*

Such was the position at the end of 1932. The United States had preserved the principle of the December payment, but was beginning to realize that inter-governmental debt payments were in fact on the wing¹ and that it was faced with the decision as to whether it should abandon the principle of no revision in the hope of getting some form of compensation or whether it should enjoy the somewhat costly moral satisfaction of branding the rest of the world as defaulters.² For the debtor countries, while taking their stand on cogent economic arguments, had in any event made up their minds that War Debts, like Reparations, were a relic of the old order which was so fast giving way in every direction to the new. The United States, self-contained as she was, may be forgiven perhaps for feeling some surprise at the sudden reversal of the moral rôle; for, whereas up till now she had been accustomed to tell Europe that, if War

¹ Public opinion in the United States was loud in its applause of the action of Great Britain in making payment, and in denunciation of France for not doing so, especially as so large a part of the French debt was commercial in essence. But official policy refrained from taking any action which would finally close the door for payment in the face of France. In any case, French default undoubtedly helped American public opinion to realize that a situation had developed which would have to be dealt with sooner or later.

² A common statement in political quarters was that it was better to get nothing and keep the bond than to get nothing and lose the bond.

Debts were cancelled, the money would only be spent on armaments, now Europe was explaining to the United States the moral and economic evils of collecting these debts.

Very early in 1933, however, it became obvious that matters could not rest as they were, and it was arranged that President Hoover and Mr. Roosevelt should meet at Washington on the 20th January. Their relative positions on the debt question at this time may be summarized briefly. Both were opposed to cancellation and both were agreed that revision in some form would have to be carried out with each debtor individually, but that compensation must be obtained. As far as the nature of the compensation was concerned, President Hoover was believed to favour the return of England to the Gold Standard, while Mr. Roosevelt was pledged to secure some lowering of tariffs, whether unilateral or bilateral was not clear; but in each case the object was to improve the foreign market for American exports. There was a difference, too, as regards the machinery. President Hoover held that Congress must either conduct the negotiations through its own delegates or at least approve them step by step. Mr. Roosevelt, on the other hand, maintained that the Chief Executive had ample authority to conduct the negotiations either himself or through diplomatic channels and that Congress need only be asked to approve the result, though the statement of this view roused so much opposition that he announced his intention of consulting from time to time with an informal committee of Congressmen.

An interesting situation now developed. It had become increasingly clear that international affairs could not be allowed to drift until the 4th March and then be suddenly picked up by a new President without previous contact. So a technique new in American constitutional history was developed, by which Mr. Roosevelt gradually assumed a measure of control behind the retiring President and Secretary of State. A change of parts even more difficult than that recorded of old was carried out by which the voice was the voice of Hoover while the directing hand was that of Roosevelt. In this way the meeting between the two statesmen on the 20th January was followed by the publication of an official statement which read:

The British Government has asked for a discussion on debts. The incoming Administration will be glad to receive their representative early in March for this purpose. It is, of course, necessary to discuss at the same time world economic problems wherein the U.S. and Great Britain are mutually interested, and therefore that representatives should also be sent to discuss ways and means of improving the world situation. It was settled that these arrangements will be taken up by the Secretary of State with the British Government.

The importance of this declaration, apart from the repetition of the principle of negotiation, lay in the request for a single representative to discuss War Debts (which implied that Mr. Roosevelt himself would be the American representative), and in the definite separation of the discussion of War Debts from that of world economic problems. Suggestions that other countries should also be invited¹ brought protests from Congress that this should not apply to defaulting countries. At this moment, opinion in Congress and in the country was probably more friendly to Great Britain than it had been since the debts first became an immediate problem. Great Britain's determination to pay in December was contrasted with France's action in defaulting, and added to the feeling that Great Britain had both started to make payments earlier and paid on a much higher scale than any other debtor. In fact there seemed to be a probability that Congress would be ready to make some concession to Great Britain in March. The main restraint had previously been the difficulty of helping Great Britain without doing anything for France, and that difficulty was now held to have been removed by France's own action.

At this stage the Chancellor of the Exchequer, Mr. Chamberlain, made a speech at Leeds on the 24th January, in which he dealt with the debt position, explaining that the United States had only been paid by means of their foreign loans and tourist expenditure, both of which had now ceased, and that in future payment could only be made if exports from the United States were reduced or imports into the United States increased. He welcomed the American invitation and declared the readiness of Great Britain to discuss revision on two conditions: that the settlement must be final and that it must not involve the reopening of the Reparations question. Mr. Chamberlain's speech was welcomed in England as an indication that Great Britain did not intend to make an unfavourable settlement, but it was resented in the United States, where it was interpreted as an attempt to instruct the United States—and particularly the Middle West—and as the laying-down of terms by a debtor nation about to ask for a revision of its debt on the ground of inability to pay. This irritation was increased by the terms of the British reply² to the American invitation, which was delivered on the 25th January. The note accepted the invitation, but after saying that the British Government would be glad to take the opportunity of exchanging

¹ Invitations were actually sent to Italy, Lithuania and Czechoslovakia on the 24th January.

² The text was published in *The New York Times*, 26th January, 1933.

views on those other matters in which the two Governments were so closely interested, it proceeded: 'It will be recognized that decisions on matters which constitute the subject of the approaching World Economic Conference and which affect other States cannot be reached before discussions take place at that Conference between all the States represented there.' This sentence, which was probably intended as a statement of fact and as a reassurance to France, was widely interpreted in the United States as 'banging the door' on all discussion of compensation for debt revision. Compensations were being eagerly discussed in the United States at the time and many schemes were canvassed, but of more immediate importance was the revival of a Republican demand for a further raising of the tariff to protect the United States against foreign imports from countries with depreciated currencies. In addition, the discovery that Great Britain would not be content to take a small scaling-down of the debts, for which she would readily make compensation, but that she took her stand firmly on the Lausanne Agreement, came as an unpleasant shock. For the Lausanne Agreement was based on a German payment of only some 10 per cent. of the debt as fixed under earlier agreements, and if Great Britain received only 10 per cent. of her present Reparations claim and only 10 per cent. of her claims on her ex-allied debtors,¹ it was obvious that she could not pay more than 10 per cent. of her liabilities to the United States unless she did so out of her own pocket, contrary to the principle of the Balfour Note. And a 10 per cent. payment appeared to American public opinion as equivalent to cancellation. In France on the other hand the British stand was warmly welcomed.

At this point the British Ambassador in Washington, Sir Ronald Lindsay, was called back to London for consultation. Before he sailed, however, another American constitutional precedent was set by his visit on the 29th January to the President-Elect at the latter's request and with the approval of the existing Administration. Under normal circumstances consultation, however informal, between the President-Elect and a foreign Ambassador was obviously undesirable, but in the present emergency the advantages were obvious. He would arrive in England armed with some knowledge of the

¹ When France defaulted on her payments to the United States in December, there was at first a sense of freedom in Great Britain, but it was soon realized that unless France finally came to terms with the United States she would not, under the terms of the Gentlemen's Agreement, be bound either to make payments to Great Britain or to ratify the Lausanne Agreement. And if Great Britain were not paid by her debtors, she in turn could not pay her creditor.

policy to be adopted by the new Administration; and it was commonly reported that he bore with him an invitation from Mr. Roosevelt to Mr. MacDonald to come himself to Washington in March as the British representative. It may also be surmised that he was made acquainted with Mr. Roosevelt's view that the only hope of getting Congress to agree to debt revision was to accompany it with some *quid pro quo* and with some guarantee that the United States and Great Britain would enter the World Economic Conference with a measure of understanding as to policy. It was agreed on all sides that the approach to the problem was almost as important as the problem itself, and Mr. Roosevelt was already being attacked for having allowed the British thesis of debts first and economic problems after to take the field, whereas in reality nothing had yet been settled.

On the 1st February, before Sir Ronald Lindsay reached London, the Chancellor of the Exchequer made another speech, this time to the American journalists in London. In this speech he said that the conception of compensation for the scaling-down of War Debts was not the conception of the British Government. The Government's view was that these obligations were not those of an ordinary debtor and creditor, but that adjustment was as much in the interest of the creditor as of the debtor nation. He also made it clear that Great Britain would not go back to the Gold Standard until a number of far-reaching conditions had been fulfilled. On the other hand he welcomed the opportunity of discussing mutual tariff concessions with the United States. This speech, which was in part a reflection of a certain hardening of opinion which had occurred in England, produced a very unfavourable reaction in the United States. Public opinion there regarded it again as an attempt on the part of the debtor to dictate terms to the creditor, and the refusal to consider compensation destroyed much of the good impression which the December payment had created and made the hope of agreement recede still farther. American opinion had expected that Great Britain would, while taking her stand on the sanctity of the Baldwin-Mellon Funding Agreement of 1923, ask for revision on the grounds of mercy and incapacity to pay, which would have left the extent of the revision more or less in American hands. Great Britain, however, in view of the Lausanne Agreement, felt that she could not let the initiative rest entirely with her creditor, but that it was better to state firmly beforehand the nature and extent of her case. As so often in international affairs, ignorance in each country of the psychology of the other created unnecessary misunderstandings and left unnecessary bitternesses. The uncertainty was increased by rumours

of various sorts, and political opinion in the United States was particularly agitated by one rumour which credited the British Government with the intention of offering as their sole solution a lump sum payment of approximately 10 per cent. of the debt in the form of bonds to be negotiated on the New York market. Opinion in England on the other hand was perturbed by a report that Mr. Roosevelt favoured cancellation of interest, but the retention of the capital liability less payments already made (whether this included payments made on account of interest or not was uncertain), which at the best would have left Great Britain with a liability of some \$2,000,000,000.

The visit of Sir Ronald Lindsay to England, however, helped to remove some of the psychological misunderstandings, as was evident from the Prime Minister's statement in the House of Commons on the 13th February, shortly after the Ambassador sailed again for the United States. The Prime Minister said:

As has already been announced, we have agreed that, concurrently with the discussion of War Debts between His Majesty's Government and the United States Government, there should be a discussion of the world economic problems in which the two Governments are mutually interested.

The object of the discussions will be to promote the revival of world trade and prosperity. While a settlement of War Debts is an essential condition of such revival, we have always recognized that there are a number of other factors, economic as well as financial, which will also have to be dealt with, and we shall be glad to exchange views with the United States Government on the whole field.

While there was little new in this statement, the manner of its presentation and the more prominent position given to the other factors held out hopes that the British Government, having once made their position clear, were willing to co-operate with the new American Administration in the approach to the negotiations, and to help to smooth the thorny path towards congressional approval, if possible, by the presentation of a debt agreement (if and when achieved) as only one—but still an essential—item in a programme of economic rehabilitation. It was satisfactory to note that the Prime Minister's statement was welcomed in the United States, as was also the suggestion which had then appeared that the Prime Minister should pay an early visit to Washington, though in his capacity as Chairman of the World Economic Conference rather than as a negotiator over War Debts.

On Sir Ronald Lindsay's return to New York conversations were reopened with Mr. Roosevelt. At the same time the President-Elect began discussions with the French Ambassador with regard

to economic problems and also with regard to War Debts, a proceeding which was welcomed in France as an indication that the new Administration would not insist on payment before negotiation with defaulting countries. Hopes were entertained that negotiations would be opened with each of the debtor countries immediately after the 4th March, but as that date approached it became clear that the growing seriousness of the internal economic crisis would make some postponement necessary.

What then had been achieved in the realm of Reparations and War Debts in the period between the Hague Conferences and the end of the term of office of the Republican Administration in the United States in March 1933? Had these problems been more than the football of world economic events, kicked hither and thither about the field in the hope that, if landed safely between the goalposts of extensive revision, the moral effect would be sufficient to win the economic match and save the world? As it was, all that the exhausted players achieved were short rests when the ball was kicked into touch either by some brilliant individual effort like the Hoover Moratorium or by some long piece of team work like the Lausanne Conference. But the pauses had never been long enough really to restore sorely tried winds, and the principal players had a disconcerting habit of changing sides, as if in some scene out of 'Alice in Wonderland'. But under all the confusion a purpose could be discerned and a steady impetus towards the goal. When the sides lined out on the 4th March for the last time, there was a possibility that the mobilization of spectators in the guise of the World Economic Conference, mutual tariff concessions and so forth might carry the ball between the posts by a concerted rush and so render effective the former efforts of the Hoover Moratorium, the Lausanne Conference, and the prolonged exchange of trans-Atlantic notes. But the players were all keenly aware that the last struggle would need not only all their strength but the support of Fate as well; and it would be true to say that there were many misgivings as to the outcome.

(ii) Non-German Reparations

By Jules Menken

(a) INTRODUCTORY

COMPLEX as is the history of German Reparations, the tangled tale of non-German Reparations is far more intricate and obscure. This fact arises from the large number of states concerned, the diversity

of claims involved, and, in the early years of the problem, the looseness with which settlements were sometimes drafted in consequence of the general knowledge that they were in fact largely unreal and would never be entirely carried out. Concerned in non-German Reparations were first eleven creditor Powers—Belgium, the British Empire (which included no fewer than six separate signatory states), France, Greece, Japan, and Portugal; next the pure debtors, three in number—Austria, Hungary, and Bulgaria—though a shadowy joint obligation rested upon Germany also; and finally the successor states, inheritors from the former Hapsburg Monarchy—Italy, Poland, Rumania, Czechoslovakia, and Jugoslavia—which were debtors on certain accounts and creditors on others.

The diversity of claims originated in the Peace Treaties. These provided in the first place for Reparations from Austria, Hungary, and Bulgaria—of which, however, only the sum originally claimed from Bulgaria was ever definitely fixed. Next came the indebtedness of the Austro-Hungarian legatee states for the Royal and Imperial properties taken over in the territories ceded to them. The indebtedness which thus arose was complicated by arrangements for dealing with the pre-war public debt of the Hapsburg Monarchy. Finally, the Treaties signed at Paris in 1919 provided for payments by Czechoslovakia, Italy, Jugoslavia, Poland and Rumania to the Allied and Associated Powers in respect of the territories which they had acquired as a result of the War. But in addition to this complex of problems, which would in any event have been hard enough to sort out, non-German Reparations came to include other issues arising in the post-war settlement of Central and South-Eastern Europe. The thorniest and most contentious of these extraneous issues was the problem of the Hungarian Optants; while the most important on many accounts—and notably because it raised far-reaching questions of foreign investment fundamental to the post-war economic order—was the difficult problem of payments on post-war relief loans made by Governments and reconstruction loans floated under the auspices of the League of Nations and in one case (that of Austria in 1923) internationally guaranteed.

Though earlier volumes of this *Survey* have dealt with particular parts of this contentious complex of problems which had to be cleared up before the War could be finally liquidated, the subject has not hitherto been examined as a whole. Moreover, before the date at which these problems are taken up in the present chapter, the fact that the payments originally contemplated had never been carried out in full had necessitated various changes. Thus, in 1923 the

Reparation Commission postponed for twenty years its prior charge upon Austrian revenues in order that a Reconstruction Loan, which was essential to preserve the life of post-war Austria, might be issued under international guarantee.¹ In 1924 a provisional Reparations settlement was made with Hungary and a Reconstruction Loan was issued, similar in character to the Austrian Loan.² A provisional arrangement as regards Reparations was come to with Bulgaria in 1923.³ When these settlements had been made, the other problems involved in the complex of non-German Reparations fell for the time being into the background,⁴ until the entire question was raised again in 1929 by the Young Committee and was brought to what looked like a final settlement in the series of Conferences which began with the Hague Conference in August 1929. The world crisis, which broke in 1929 and deepened in 1930, destroyed in 1931 the agreements about non-German Reparations which had been reached in the previous year, just as it destroyed the similar agreements about German Reparations; and, though the problems which thus arose were discussed at Lausanne in June 1932, at the moment of writing (in the Spring of 1933) neither these questions, nor the problems arising from moratoria and defaults in international loans in 1932, had been finally settled.

(b) FROM THE YOUNG COMMITTEE TO THE
SECOND HAGUE CONFERENCE

THE problem of non-German Reparations was raised as a whole in 1929 by the Young Committee. The expert members of the Committee 'in their unanimous desire that the remaining financial questions arising out of the war should be settled as soon as possible, in order to promote the spirit of international harmony and collaboration, . . . unanimously' recommended to the creditor Governments 'that, within the first year of operation of the new Plan, they complete the work of the Experts' Committee by dealing with and disposing of the claims and debts for ceded properties and liberation bonds, held in the hands of the Reparation Commission against the so-called Succession States'.⁵ In accordance with this recommendation,

¹ See the *Survey for 1920-3*, Part III, section (iii) (5), p. 311.

² See the *Survey for 1924*, Part II B, section (iv), p. 423.

³ See *op. cit.*, pp. 438-9.

⁴ An apparent exception to this is the Hungarian Optants Question, which troubled international conferences from 1923 onwards; but at this stage the problem of the Hungarian Optants was not directly bound up with that of non-German Reparations.

⁵ *Report of the Committee of Experts on Reparations* (Cmd. 3343 of 1929), pp. 27-8.

the First Hague Conference¹ decided to include non-German Reparations in the agenda of the subsequent Conference which was to prepare a final settlement of Reparations and kindred problems; and accordingly the Protocol drawn up at the First Hague Conference and signed on the 31st August, 1929, provided for the appointment of a Technical Committee 'charged with the duty of preparing detailed recommendations in regard to . . . the final settlement of the reciprocal claims of the Creditor Governments in respect of ceded properties and liberation debts, and the final settlement of the liabilities of the Debtor Governments under the Treaties of St. Germain, Trianon, and Neuilly'.²

This Technical Committee met in Paris on the 17th September, 1929. At the outset it consisted of representatives of the creditor Powers only, but on the 26th September it was enlarged by the inclusion of representatives of Austria, Bulgaria and Hungary.

The Austrian problem gave the Paris Committee comparatively little difficulty, but trouble soon arose over the terms of settlement with Bulgaria and Hungary. In the case of Bulgaria, the plan first considered by the creditor Powers contemplated a total payment of 750,000,000 francs (£30,000,000 at par) to be paid in 36 annuities rising from 15,000,000 francs at the outset to a maximum, and tapering off at the close. This offer was reported to the Bulgarian Government, and Monsieur Liapčev, the Bulgarian Prime Minister, instructed the Bulgarian delegation at Paris to refuse it. A Bulgarian offer was then made which envisaged annuities rising from 6,000,000 gold francs to a maximum of 10,000,000 gold francs; but the Bulgarians proposed that the first payment should not be made until after a five years' moratorium. This offer was rejected and the Conference then returned to a British compromise proposal of 36 annuities of 12,500,000 gold francs, and on the 18th November the French and British Ministers in Sofia visited Monsieur Liapčev and advised the acceptance of this scheme. Despite this Anglo-French *démarche*, however, the Bulgarians stood firm and the Paris Committee was unable to reach agreement on the total of Bulgaria's payments. A similar position arose over Hungarian Reparations, the settlement of which was prevented by the apparently insoluble dispute over the problem of the Hungarian Optants.³ On this matter deadlock was reached as early as the 17th October and persisted, despite protracted discussions, during the rest of the Committee's sittings.

¹ See the *Survey for 1930*, Part VI, section (iii) (b).

² *Hague Protocol* (Cmd. 3392 of 1929), p. 3.

³ The Optants Question is dealt with below on pp. 150-3.

In view of these difficulties with Bulgaria and Hungary, the Paris Committee in the end was able to reach agreement only with regard to part of the problems which had been submitted to it by the First Hague Conference. The principal points on which agreement proved to be possible were as follows:

- (1) The obligations of Jugoslavia and Rumania in respect of ceded properties were to be cancelled.
- (2) Rumania was to keep her full share of Hungarian and Bulgarian Reparations. On the other hand, Jugoslavia's share was to be reduced from 10 per cent. to 2 per cent., so as to offset her receipts to date of deliveries in kind.
- (3) Greek war debts were to be covered by reductions in the share of the other Allies excepting Rumania.
- (4) The Czechoslovak Liberation Debt was to be fixed at 37 annuities of 11,000,000 gold marks (£550,000 at par). In return Czechoslovakia asked for a share in non-German Reparation payments; and it was reported that Rumania had agreed to this request in principle.
- (5) The Great Powers offered to abandon their share of non-German Reparations after 1943 with a view to reaching a settlement of the Hungarian Optants Question.

All these points of agreement were to depend upon the definite acceptance of the Young Plan.

While the Paris Committee was sitting, public feeling in the debtor countries ran high and hostile demonstrations took place in Sofia on the 18th November and in Sopron in Hungary on the 26th November. Thus the outlook for a settlement of non-German Reparations when the problem was reported from the Paris Committee to the Second Hague Conference did not appear unduly bright.

(c) THE HAGUE SETTLEMENTS

(1) *Introductory.*

The Second Hague Conference assembled on the 3rd January, 1930, and the Committee on non-German Reparations held its first meeting on the 4th January. The Committee had to deal with the problems of Austrian, Bulgarian and Hungarian Reparations; and in the outcome only the last was to prove really difficult. In the early stages, demands were made on Austria by the Rumanian, Czechoslovak and Polish delegations for payments in settlement of other than Reparation claims, which Herr Schober, the Austrian Chancellor, found

impossible. Private conversations on this subject, however, ultimately disposed of the problem with comparative ease.

The question of Bulgarian Reparations was somewhat more troublesome. The informal Paris proposal, from the creditor Powers, of annuities of 12,500,000 gold francs was reduced on the 6th January to 11,000,000 gold francs (£440,000 at par) for 36 years through an undertaking by the Great Powers to renounce their share in the difference of 1,500,000 gold francs; and though on the 7th January Bulgaria rejected this offer and proposed instead annuities of "round about" 10,000,000 gold francs¹, in the end an agreement was reached on the slightly higher basis.²

The Hungarian negotiations were far more difficult. At the Second Hague Conference of 1930, as at the Paris Conference of the preceding autumn, the serious stumbling-block was the Optants Question. But difficulties also arose about Hungarian Reparations after 1943. In this year Hungary was to have completed the payment of 200,000,000 gold kronen in accordance with the decision taken by the Reparation Commission in February 1924, when the Commission released certain Hungarian assets for the Reconstruction Loan. At The Hague the Little Entente countries argued that Hungary should make further payments after 1943. The Hungarian reply, as stated by Count Bethlen, the Hungarian Prime Minister, was that in February 1924 the Hungarian Government were given to understand 'that there was no need to worry about what would happen after 1943'; and he claimed that in any case by that date Hungary would have paid about 4,000,000,000 gold kronen (£167,000,000 at par), of which the ceded properties as valued on behalf of the Reparation Commission accounted for from 2,500,000,000 to 3,000,000,000 gold kronen. Count Bethlen therefore maintained that by 1943 Hungary would have paid more in proportion to her size and capacity than any other country liable to Reparation payments. Moreover, at the Second Hague Conference, as at the Paris Conference, Hungary continued her refusal to renounce the right of Hungarian nationals to assert their claims under article 250 of the Treaty of Trianon before Mixed Arbitral Tribunals and to be compensated by other states in the event of favourable judgment by those tribunals. In order, however, that the attitude of Hungary at the Hague Conference should not be merely obstructive, Count Bethlen agreed as early as the 12th January to pay a definite limited amount for the liquidation of special claims against Hungary and at the same time 'to contribute a *modus procedendi* for the liquidation by mutual understanding of the agrarian cases under

¹ *The Times*, 8th January, 1930.

² See below, pp. 147-8.

Article 250 before the Mixed Tribunals'. This offer was conditional *inter alia* on the release of Hungary's assets from the Reparation charge imposed under the Treaty of Trianon.

The discussions to which the Hungarian problem gave rise were long, arduous and heated. Ultimately, a compromise plan was invented, viz., that all claims brought before the Mixed Arbitral Tribunals under Article 250 of the Treaty of Trianon should be included in a financial arrangement, the funds for which should be provided mainly by the post-1943 payments in respect of special claims which Hungary had agreed to make.¹ In the end this proposal was adopted as the basis of settlement.

As the Hague Conference wore on, other difficult questions also arose, notably as to the amount of the Czechoslovak liberation payment to Italy, which, in turn, was linked with the amount which Italy had agreed at the First Hague Conference to pay Great Britain. After strenuous debates, and by means of a process 'described unofficially as piracy, brigandage and blackmail',² a solution in principle of the Hungarian difficulties was finally reached at an all-night sitting³ on the eve of the close of the Conference; the Czechoslovakian stumbling-block and all the other contentious questions were cleared away; and the agreements were signed on the 20th January, 1930.⁴

The agreements on non-German Reparations were embodied in five documents—agreements with Austria,⁵ with Bulgaria⁶ and with Hungary,⁷ an agreement relating to the Czechoslovak liberation debt,⁸ and an agreement with creditor Powers relating to the distribution of non-German Reparation receipts.⁹ These various arrangements are summarized and analysed in the sections that follow.

(2) *Austria.*

Early in the post-war period the peculiar situation and economic weakness of Austria led to the effective abandonment, or at least postponement, of claims on her by her Reparation creditors and to

¹ See the *Pester Lloyd*, 17th January, 1930.

² *The Times*, 20th January, 1930.

³ *Cmd.* 3484 of 1930, p. 10.

⁴ In the case of Hungary, the Hague arrangement was not complete in all respects, but it provided a firm basis for the final agreement, the details of which were worked out at a subsequent Conference held in Paris from the 6th February to the 28th April, 1930. This Paris Conference was presided over by Monsieur Loucheur, who was also chairman of the non-German Reparations Committee at the Second Hague Conference.

⁵ *Agreements Concluded at the Hague Conference, January 1930* (*Cmd.* 3484 of 1930), Document No. 11.

⁶ *Op. cit.*, Document No. 12.

⁷ *Op. cit.*, Document No. 13.

⁸ *Op. cit.*, Document No. 14.

⁹ *Op. cit.*, Document No. 15.

the conversion of the Reparation Commission, in so far as Austria was concerned, from an agency for exacting payments into an agency for organizing relief. The history of these developments and of the part played by the League of Nations in organizing the financial and economic reconstruction of Austria down to the issue of the Austrian Reconstruction Loan of 1923 has already been recounted in a previous volume of this *Survey*.¹ From that time onwards until the summer of 1926, Austrian affairs developed satisfactorily, at least on the economic side; and in June 1926 the termination of the functions of Dr. Zimmermann, the Commissioner-General appointed under the League Reconstruction Scheme, was recommended by the Financial Committee of the League. This recommendation was considered by the Council on the 9th June, 1926, and the Council, 'having ascertained that the financial stability of Austria is assured', decided to terminate the functions of the Commissioner-General on the 30th June, 1926.²

The impossibility of obtaining Reparations from Austria, which had been admitted as long ago as 1922, the attitude of her Reparation creditors, and the international efforts which had been made to secure her reconstruction, made a settlement of the Austrian question at The Hague a relatively easy problem. The Hague Agreement naturally did not touch arrangements made in connexion with the guaranteed Austrian Loan of 1923, the Austrian Relief Bonds, or the pre-war Austrian debt. Nor did it affect certain special arrangements, mainly to settle administrative questions, arising from the dismemberment of the former Austro-Hungarian Monarchy. Apart, however, from these provisions, all of Austria's financial obligations arising under the Treaty of St. Germain, and consequently the charges on Austrian assets in favour of Reparations, were swept away; relations between the Reparation Commission and Austria were terminated and the Reparation Commission's accounts with Austria were finally closed; and all outstanding claims and counter-claims between Austria and other signatory Powers or their nationals were reciprocally waived. The latter provision in effect meant that the question of the properties ceded by Austria to Italy and the successor states was finally closed. Austrian claims against Germany, Hungary and Bulgaria, and these Powers' claims against Austria, were likewise mutually cancelled. In return Austria was

¹ See the *Survey for 1920-3*, Part III, section (iii) (5), pp. 311-27.

² See the *Survey for 1926*, Part II B, section (iv). See also League of Nations: *Financial Reconstruction of Austria; Termination of the Functions of the Commissioner-General* (C. 385. 1926. II. F. 290).

released from the first charge on her assets and revenues created by Article 197 of the Treaty of St. Germain in favour of Reparations and other war costs, while the creditor Powers for their part agreed to cease to apply their rights under the Treaty of St. Germain to retain and liquidate the property and interests of Austrian nationals in so far as this liquidation had not been carried out already.

(3) *Bulgaria.*¹

From Bulgaria alone amongst the defeated Powers was a definite amount demanded in Reparation. Under the Treaty of Neuilly, the sum claimed for this purpose was 2,250,000,000 gold francs (£90,000,000 at par); and the task of superintending its payment, together with the execution of the Reparations Chapter of the Neuilly Treaty, was entrusted to a special Inter-Allied Commission resident at Sofia and responsible to the Reparation Commission. After two years of investigation, the Inter-Allied Commission, by a protocol signed at Sofia on the 21st March, 1923, reduced the amount effectively demanded from Bulgaria as Reparations by dividing the total into two parts, Tranche A of 550,000,000 gold francs (£22,000,000), for the payment of which a definite schedule was laid down, and Tranche B of 1,700,000,000 gold francs (£68,000,000), the payment of which was postponed indefinitely.² A year later the contentious question of occupation costs was settled by a protocol dated the 28th March, 1924, under which the Inter-Allied Commission accepted from Bulgaria a lump sum of 25,000,000 gold francs (£1,000,000) in full settlement of Allied claims in respect of costs of the Armies of Occupation. This total was spread over ten years on a graduated schedule of payments.³

Apart from a settlement of Bulgaria's accounts with Yugoslavia in respect of war requisitions and with Greece in respect of refugees, three main transactions with Bulgaria affected the payment of Reparations between the 1923 protocol and the Hague Conferences.⁴

¹ The history of Bulgarian Reparations and of Bulgaria's Financial and Economic Reconstruction is admirably surveyed by Leo Pasvolovsky in *Bulgaria's Economic Position* (Washington, 1930, The Brookings Institution). See also H. Moulton and Leo Pasvolovsky: *War Debts and World Prosperity* (Washington, 1932, The Brookings Institution) and Henri Prost: *La Liquidation Financière de la Guerre en Bulgarie* (Paris, 1925, Giard).

² See the *Survey for 1924*, pp. 438-9.

³ See Pasvolovsky, *Bulgaria's Economic Position*, pp. 71-3.

⁴ The Bulgarian-Yugoslav settlement was reached on the 26th November, 1923. Bulgaria agreed to pay Yugoslavia 300,000,000 leva, half in cash and half in kind, the total payment to be concluded by 1927. The Graeco-Bulgarian refugee problem was not settled definitely until the 9th December, 1927, when an agreement was signed at Geneva by Monsieur Molov and Monsieur

The first of these transactions was the arrangement concluded by Bulgaria with the League of Nations in 1926 for the issue of a Refugee Loan.¹ This loan arose from the financial needs of Bulgaria in connexion with the repatriation of Bulgarian refugees from Greece. The necessary plans were drawn up following an investigation by Monsieur René Charron on behalf of the Financial Committee of the League; it was decided that a sum of £2,250,000 sterling would be required for the work; and the scheme thus devised was approved by the Council of the League on the 7th September, 1926. Before this loan could be issued, however, it was necessary to safeguard the Bulgarian currency from any instability of the exchange which might be caused by Reparation transfers; and the Reparation Commission accordingly decided on the 23rd July, 1926, that during the period for which the proposed Refugee Loan was outstanding the Bulgarian Government should have the right to request the suspension of Reparation payments in foreign currency. The granting of this request, which was to be addressed to the Inter-Allied Commission, involved the acceptance by the Bulgarian Government of transfer control.² Ultimately the loan was floated simultaneously in London and New York on the 21st December, 1926, part of the sterling amount being offered in Italy, Switzerland and Holland. The net yield of the loan was £2,873,091 sterling, of which £2,247,201 was available for refugee settlement after deducting a sum required for the liquidation of a pre-war financial obligation.³

The second event affecting Reparations was consequential on the earthquake which occurred in southern Bulgaria in April 1928. In October of that year the Inter-Allied Commission permitted the Bulgarian Government to postpone the Reparation payment due on the 1st October, 1928, while by a later decision the Commission halved Bulgaria's payments during the year 1929-30 and added the uncollected portion to Tranche B.⁴

Thirdly, in 1928, following exhaustive investigations by the League, a Bulgarian Stabilization Loan was issued; and during the course of the discussions prior to this issue the Inter-Allied Commission agreed to release certain revenues, which were required in connexion Kaphandáris, the Finance Ministers of Bulgaria and Greece respectively. On these agreements see Pasvolsky, *Bulgaria's Economic Position*, pp. 74-6. See also the *Survey for 1927*, p. 216, and the *Survey for 1931*, p. 348.

¹ See the *Survey for 1926*, Part II B, section (vi).

² Reparation Commission Decision No. 3313, *Loan for Bulgarian Refugees*, contained in League of Nations, *Minutes of the 23rd Session of the Financial Committee*.

³ See Pasvolsky, *Bulgaria's Economic Position*, pp. 94-5.

⁴ See Pasvolsky, *op. cit.*, pp. 79-80.

with the Stabilization Loan, from the general charge laid down in Article 132 of the Treaty of Neuilly, and from the special charges laid down in the Reparation Protocol of the 21st March, 1923, and in the Occupation Costs Protocol of the 28th March, 1924. The Inter-Allied Commission's resolution was confirmed by a protocol between the Bulgarian Government and the Inter-Allied Commission signed on the 24th September, 1928.¹

Such was the position relating to Bulgarian Reparations at the time when the Second Hague Conference opened. Under the Hague Agreement the creditor Powers definitely waived their rights to Tranche B of the Bulgarian Reparation debt, and Great Britain, France and Italy waived their claims to payment of the outstanding balance in respect of Armies of Occupation. For the unpaid portion of Tranche A the annuities were reduced and Bulgaria, by paying 5,000,000 gold francs on the 1st April, 1930, ten annuities of 10,000,000 gold francs between 1930 and 1940, ten annuities of 11,500,000 gold francs between 1940 and 1950, and sixteen annuities of just over 12,500,000 gold francs between 1950 and 1966, obtained the complete and final settlement of her outstanding Reparation debt.² The reduction in the Bulgarian Reparation payments under the Hague settlement, first by reducing the annuities actually payable between 1930 and 1966, and second by cancelling entirely payments due under the Protocol between 1966 and 1982, is shown in the following table:³

<i>Fiscal Years.</i>	<i>Annual Payments under the 1923 Arrangements.</i>			<i>Annual Pay- ments under The Hague Settlement.</i>	<i>Annual Reduc- tion.</i>
	<i>Repara- tion.</i>	<i>Occupation.</i>	<i>Total.</i>		
(millions of gold francs)					
1930-1.	10.0	4.0	14.0	10.0	4.0
1931-2.	10.0	4.0	14.0	10.0	4.0
1932-3.	20.0	1.0	21.0	10.0	11.0
1933-4.	32.9	1.0	33.9	10.0	23.9
1934-5 to 1939-40	43.4	..	43.4	10.0	33.4
1940-1 to 1949-50	43.4	..	43.4	11.5	31.9
1950-1 to 1965-6 .	43.4	..	43.4	12.5	30.9
1966-7 to 1982-3 .	43.4	..	43.4	..	43.4

The annuities fixed at The Hague were to 'constitute an unconditional obligation'; and both sides agreed to waive the powers of the

¹ See Pasvolksy, *op. cit.*, p. 329.

² The sterling equivalents of these amounts at par are respectively £200,000, £400,000, £460,000, and £500,000.

³ Pasvolksy, *op. cit.*, p. 85.

Inter-Allied Commission under Article 122 of the Treaty of Neuilly to 'recommend . . . reduction or postponement of any particular payment due, or a reduction of the total capital sum to be paid by Bulgaria'. On the other hand, Bulgaria retained the right to request a postponement of transfer under the arrangements concluded in 1926 when the Refugee Loan was issued. The Hague annuities were to enjoy the benefit of the special securities provided under the Protocols of the 21st March, 1923, and the 24th September, 1928, and the Bulgarian Government agreed to increase these securities at request, if their product fell below 150 per cent. of the sums necessary for the service of the annuity.¹ In return, the creditor Powers released the first charge upon all the assets and revenues of Bulgaria for the cost of Reparations and other war charges which had been established by Article 132 of the Treaty of Neuilly. Apart from certain minor claims with regard to which agreements had already been concluded, all claims between the creditor Government and the Bulgarian Government and their respective nationals were completely cancelled, and the creditor Powers waived their rights to liquidate the property and interests of Bulgarian nationals in so far as such property had not previously been disposed of finally.² Bulgaria likewise waived any claims against Germany, Austria and Hungary arising under the Treaty of Neuilly, and conversely the claims of Germany, Austria and Hungary against Bulgaria were cancelled. The rights and powers conferred on the Reparation Commission and on the Inter-Allied Commission in Bulgaria were transferred in so far as was necessary to the Bank for International Settlements, and the relations between the two Commissions and the Bulgarian Government were wound up.

At the Hague Conference an additional concession was also granted to Bulgaria by the creditor Powers. As in the case of Germany, the question arose of what should happen to Reparations if the American Government reduced the amounts claimed from the European Allied

¹ The most important of the Bulgarian revenues so pledged were the customs revenues. The first charge upon these was the 1928 Stabilization Loan, and reparation annuities were the second charge. Reparations, however, were a first charge upon the yield of certain other taxes.

² The principal claims thus excepted were (1) an arrangement whereby Bulgaria undertook to pay Rumania 110,000,000 lei in two equal instalments in respect of Bulgarian property for liquidation. One of these payments was made in March 1931, and the other fell due in March 1932. (2) Payments in respect of the Yugoslav and Greek portions of the pre-war Bulgarian debt. These payments, which arose in respect of territories ceded by Bulgaria to the two Powers respectively, amounted in the case of Yugoslavia to the equivalent of \$482,414, and in the case of Greece to the equivalent of \$70,527, both payable on the 1st July, 1931. See Moulton and Pasvolksy, *War Debts and World Prosperity*, p. 251, footnote 14.

Powers in respect of War Debts. The Bulgarian Government requested that they should benefit on Reparations account in this event; and the creditor Powers declared themselves willing to meet the Bulgarian claim in part. The terms of this declaration were as follows:

The Creditor Governments have taken note of the Bulgarian Government's request to benefit by a remission of a portion of its debt in the event of the Creditor Governments themselves obtaining remission of the inter-allied debts. They state their readiness collectively, if necessary, to consider favourably the possibility of allowing Bulgaria to have the benefit of advantages proportional to those which the Special Memorandum of the Experts of the Principal Creditor Powers and Germany concerning out-payments, appended to the Experts' Report of the 7th June, 1929, grants to Germany, without, however, any Power having its share in Bulgarian annuities reduced by more than 50 per cent. as a result of this possible reconsideration.¹

Thus, as the outcome of the Hague Agreement, Bulgaria was left with a reduced Reparation debt which at the time was regarded as well within her capacity of payment. This debt was made definite and final; and simultaneously Bulgaria received back her financial independence.

(4) *Hungary.*

As in the parallel case of Austria, the first inclusive settlement of Hungarian Reparations was made in view of the dangerous financial and economic situation which developed in Hungary in the early post-war years, and which demanded action by the Reparation Commission before the necessary international measures of financial assistance could be taken. The history of this transaction, which was completed in 1924, has already been told in an earlier volume of this *Survey*.² Again, as in the case of Austria, the measures for League control of Hungarian finances under the supervision of a Commissioner-General were continued until 1926, when the improvement in Hungary's financial position permitted the work of the Commissioner-General to be terminated. On the 6th June, 1926, the Financial Committee of the League reported favourably upon the then state of Hungary; and on the 10th July, 1926, the Council adopted a resolution moved by Signor Scialoja, the Italian representative, which declared that, 'the financial stability of Hungary being assured', the functions of the Commissioner-General were to terminate as from the 30th June, 1926.³ It was still necessary, however, for control to be exercised

¹ *Agreements Concluded at the Hague Conference, January 1930* (Cmd. 3484 of 1930), p. 154. ² See the *Survey for 1924*, Part II B, section (iv), p. 423.

³ See the *Survey for 1926*, Part II B, section (v).

'over the revenues from the assets assigned for the service of the loan, which is entrusted to the trustees and their representative in Budapest' as well as over 'the balance of the loan, which cannot be disposed in whole or in part, except in accordance with the plan recommended by the Financial Committee and approved by the Council'.¹ An official—Mr. Royall Tyler—was accordingly appointed to watch over the expenditure of these funds.

Although the vitality of the Hungarian people and the conservative policy of the Hungarian Government had won back for them by the middle of 1926 a substantial measure of their financial independence, Hungary's relations with the other Powers of South-Eastern Europe were in 1926 still seriously disturbed by the thorny problem which had come to be known as the Optants Question.

Under the Treaty of Trianon pre-war Hungarian nationals residing in territories transferred to other states automatically became nationals of the state to which their territory was transferred, unless within one year from the coming into force of the Treaty they exercised the right to opt for Hungarian citizenship. Such persons, who were known as 'Optants', were obliged to transfer their residence to Hungarian territory within twelve months, but they were entitled to retain their immovable property in the territory of the state in which they had previously resided. The Optants clauses² of the Treaty of Trianon gave rise to the claims in respect of agricultural land; but other Hungarian claims which were also in dispute during the post-war period arose under Article 250 of the Treaty, which provided that the property and interests of Hungarian nationals in transferred territories should not be retained or liquidated by the states to which these territories were transferred, and arranged that claims by Hungarian nationals in respect of such property and rights should be settled by a Mixed Arbitral Tribunal, the constitution of which was also laid down by the Treaty. The problem of the Optants thus related to the property of Hungarian nationals in Rumania, Czechoslovakia and Jugoslavia. It began its troubled history in 1921, and first came before the Council of the League in March 1923. For five years it continued to reappear frequently before the League, partly because general questions of principle and of the competence of the Council of the League of Nations arose out of the specific controversy between Hungary and Rumania over the Optants.³ By 1928, however, these

¹ League of Nations: *The Financial Reconstruction of Hungary* (Geneva, 1926), p. 161.

² Articles 61 and 63.

³ On the Optants problem down to December 1928, see the *Survey for 1928*, Part II, section (iii).

matters of general interest had been largely exhausted, and the dispute returned to its former status of a squabble between two minor Powers, each possessed of remarkable obstinacy. The subsequent history of the Optants Question requires brief examination if the settlement reached at The Hague and in Paris in 1930 is to be understood.

In September 1928 the Council of the League of Nations recommended that the Hungarian and Rumanian Governments should attempt to arrive at an amicable settlement by direct negotiations; and a Conference between these Powers was accordingly arranged which finally opened, after several postponements, at Abbazia on the 15th December, 1928. At this Conference Rumania was represented by Monsieur Langa-Rascanu, her Minister at Athens, and Hungary by Baron Joseph Szterenyi. The preliminary discussions were favourable; and, after deciding to appoint a sub-committee composed of two representatives of each of the two negotiating Powers, the Conference adjourned on the 22nd December, and fixed a date for its next meeting for the following January. On the 13th January, 1929, negotiations were resumed at San Remo and the Conference proceeded to examine 350 cases covering 300,000 hectares of land. After a few days the Conference again adjourned until the 10th February, when Hungary put forward a demand for a substantial cash payment, reported by one source as amounting to 10,000 lei per cadastral jugar, or a total of some 6 milliard lei.¹ Rumania, on the other hand, proposed that the Hungarian Optants whose land had been appropriated under the Rumanian Agrarian Reform Laws should be dealt with in the same way as her own nationals, i.e. that the Optants should be allowed to repurchase their land at the low purchase price fixed by Rumanian law. Other claims arising under Article 250 of the Treaty of Trianon were to be settled by compensation, payable partly in cash and partly in timber and in deliveries of petroleum. On the 18th February negotiations were suspended for consideration by the two Governments. The Rumanian negotiators considered that they had offered a sufficient sacrifice by proposing a payment of 100,000,000 gold kronen (roughly £4,200,000 sterling at par). Hungary, on the other hand, demanded finally 130,000,000 gold kronen (roughly £5,400,000 sterling at par), payment of which she was prepared to accept partly in cash and partly as a credit against the Rumanian share of Hungarian Reparations. Thus the San Remo Conference reached an agreement in principle as to the extent of the

¹ At the then current rate of exchange this represented roughly £8 8s. per acre or a total of some £7,500,000. As the negotiations were secret, this figure may well have been substantially exaggerated in the press report.

properties which had been expropriated by Rumania and for which compensation was to be paid, and as to the method of indemnifying the Hungarian claimants. Only the amount to be paid was left unsettled.

At the meeting of the Council of the League of Nations in March 1929 the Hungarian Government requested that the discussion of the Optants Question should be postponed in view of the fact that direct negotiations were still proceeding;¹ and on the 5th April direct negotiations were resumed at Vienna. Hungary maintained her demand for 130,000,000 gold kronen, while Rumania was not prepared to advance beyond her former offer of 100,000,000 gold kronen. At this meeting, however, the terms of payment again came into dispute; Hungary requested payment in cash, whilst Rumania put forward a plan for deducting compensation from Hungarian Reparations owing to Rumania.² The parties were unable to reach an agreement on this point and the Conference was therefore adjourned on the 12th April, in order that they might again consult their respective Governments. On the 31st May the Conference was resumed at Vienna, Monsieur Langa-Rascanu's place being taken by Monsieur Charles Davila, the Rumanian Minister at Washington. Hungary and Rumania stood by the amounts which they respectively claimed and offered; and on the 22nd June negotiations were broken off for the fourth time. As the deadlock which had been reached appeared to be insuperable, at least by direct negotiations, the Hungarian Government sent a note to the Rumanian Government on the 28th July, suggesting that the question should be brought again before the Financial Committee of the League. The Rumanian Government replied that they would not feel justified in taking that course since they had been advised by the League Council to find a settlement by direct negotiation. Accordingly, on the 10th August, 1929, the Hungarian Government requested that Rumania should make new proposals for a direct settlement. Rumania, however, found herself unable to do this, and the matter was therefore referred back to the League.

At the September meeting of the Council of the League the Optants Question was again considered, and on this occasion the Council

¹ *League of Nations Official Journal*, April 1929, p. 504.

² At one juncture Rumania proposed that payment should be made out of the proceeds of a joint Hungaro-Rumanian Mining Company which was to be formed in order to exploit Rumanian gold, silver, and iron deposits. The profits of this company were to be paid to Hungarian Optants for twenty years, at the end of which time the assets were to pass to Rumania. See *The Manchester Guardian*, 6th April, 1929.

appointed Mr. Arthur Henderson, the Foreign Secretary of Great Britain, as *Rapporteur*. On the 19th September, Mr. Henderson advised direct negotiations between Hungary and Rumania under his guidance, and undertook to appoint a financial expert if need be.¹

This recommendation was made two days after the assembly in Paris of the Committee on non-German Reparations, the appointment of which had been arranged at the First Hague Conference. In the outcome, the Council's decision was to prove inoperative, for, as has been shown above,² the discussion in Paris of the problem of Hungarian Reparations as a whole inevitably raised the Optants Question. Rumania, supported by Yugoslavia and Czechoslovakia, insisted in Paris upon a discussion of the Optants Question before any general settlement was approached. The Hungarian Government steadfastly refused to agree to this course; and in the end the deadlock at Paris was carried to the Second Hague Conference in January 1930. The problem proved no less vexatious at The Hague than in its previous appearances; but on this occasion the intervention of the Great Powers enabled the basis of an agreement to be reached, though time was not sufficient at the Hague Conference for the final details to be worked out, and the matter had again to be adjourned for a further Conference in Paris. This second Paris Conference, which met on the 6th February, 1930, under the chairmanship of Monsieur Loucheur, did not complete its discussion until the 28th April. The agreements in principle already concluded in considerable detail at the Second Hague Conference, however, and the fact that under the terms of the Hague Agreement matters in dispute could be settled in case of need by 'the unanimous decision of France, Great Britain and Italy',³ enabled a final settlement of the thorny problems of the Hungarian Optants and of other Hungarian claims under Article 250 of the Treaty of Trianon to be settled at long last in the agreement finally signed in Paris on the 28th April, 1930.

In summarizing the Reparations settlement with Hungary, it is convenient not to distinguish between the position reached at the Second Hague Conference and the final text agreed upon in Paris on the 28th April. The difference for the most part lies in matters of detail. The summary which follows is accordingly based upon the final agreement of the 28th April, 1930.⁴ This agreement comprises

¹ *League of Nations Official Journal*, November 1929, p. 1673.

² See p. 140 above.

³ *Cmd.* 3484, Document 13, p. 156.

⁴ See *International Agreements regarding the Financial Obligations of Hungary resulting from the Treaty of Trianon*, Paris, 28th April, 1930 (*Cmd.* 3910 of 1931).

a preamble, four main agreements, three special agreements, and a number of documents embodying certain minor reservations.

The preamble to the agreement settling the question of the Optants and of the Mixed Arbitral Tribunal,¹ while concluded by Czechoslovakia, Yugoslavia and Rumania 'in a spirit of conciliation' and by Hungary 'in the same desire for conciliation and peace', expressly withheld the recognition by the Little Entente Powers of 'the justice of the said claims', expressly reserved 'their legal point of view', and specifically barred the use of the agreement 'as justification of any fresh action or claim' or 'as a surrender of the rights' which Czechoslovak, Yugoslav and Rumanian nationals derived 'directly from the Treaty of Trianon' in respect of other questions. The Hungarian Government for their part maintained the legal position which they had 'previously adopted on these questions' and similarly safeguarded the rights of Hungarian nationals derived from the Treaty of Trianon in respect of other questions than those settled by the agreement. Subject to these reservations, the questions at issue were settled by substituting a new fund called the Agrarian Fund or Fund A as defendant in all legal proceedings with regard to the Agrarian Reforms in the place of the Czechoslovak, Yugoslav, and Rumanian Governments. Rumania, Yugoslavia and Czechoslovakia were relieved of their responsibility (Art. 1).² The fund was to have legal personality and was to be financially autonomous (Art. 2); unsettled claims involving legal proceedings against Czechoslovakia, Yugoslavia and Rumania were henceforth to be treated as having been made against the Agrarian Fund; and judgments given in favour of claimants were to be carried into effect solely against the fund (Art. 2 and 3). The fund was not to be called upon to make any payment until it had received notification of the whole of the judgments, which were to be expedited as much as possible (Art. 4), though powers were also taken for provisional payments on account in suitable circumstances (Art. 6). Legal proceedings before Mixed Arbitral Tribunals were henceforth to be concerned solely with the questions whether claimants were Hungarian nationals duly qualified by virtue of the Treaty of Trianon, whether their property had been expropriated through agrarian legislation, and, if so, what compensation, if any, should be allotted (Art. 8); but the Tribunals were expressly prohibited from interpreting Article 250 of the Treaty of Trianon. For the rest, the agreement settled certain matters of dates

¹ Agreement No. 2: *Settlement of Questions Relating to the Agrarian Reforms and Mixed Arbitral Tribunals*.

² In the case of Czechoslovakia certain special provisions applied.

and procedure and made an important provision for appeal without further arrangement to the Permanent Court of International Justice at The Hague in the event of any difference.

The financial arrangements relating to the Agrarian Fund were extremely complicated. The original Hungarian claim as stated in a memorandum submitted at the Second Hague Conference was for a total of 310,000,000 gold kronen (£12,900,000 at par).¹ At the Hague Conference this figure was reduced to 240,000,000 gold kronen (£10,000,000 at par) and the basic figures per cadastral jugar were accordingly likewise reduced in the proportion of 310:240. As a result of fresh inquiries and agreed changes in the Czechoslovak areas in question, the capital of the fund was further reduced in Paris to 219,500,000 gold kronen (£9,140,000 at par), the same reduced basic figures for the value of the jugar being retained.² This total represented the capital of the Agrarian Fund; and Agreement No. 3, concluded on the 28th April, 1930, was concerned with its organization and the provision of the necessary contributions to the fund. The complexities of Agreement No. 3 arose from the natural desire of the contributing Powers to limit their maximum obligations, while at the same time providing for contingent risks, the amount of which could not be measured at the time, so as to enable the fund, set up with so much trouble, to work satisfactorily.

The main contributions to the Agrarian Fund were to be drawn from five sources:

- (1) From defined maximum payments by Yugoslavia and Rumania on account of local indemnities;
- (2) From the share of the Western Powers³ in Hungarian Reparations annuities down to 1943;
- (3) From the Hungarian payments commencing in 1944 in respect of special claims;

¹ This sum was arrived at by Hungary on the basis of 578,556 cadastral jugars expropriated by Rumania and valued at 225 gold kronen per cadastral jugar; approximately 150,000 cadastral jugars expropriated by Yugoslavia and valued at 500 gold kronen per cadastral jugar; and approximately 500,000 cadastral jugars expropriated by Czechoslovakia and valued at approximately 292 gold kronen. (See Annex A to Agreement No. 3 in *Cmd.* 3910 of 1931, p. 47.) The original Hungarian figures of 225 gold kronen per cadastral jugar in the case of Rumanian claims, 500 gold kronen in the case of Yugoslav claims and 292 gold kronen in the case of Czechoslovak claims are equivalent to roughly £6 6s., £14 7s., and £8 6s., per acre respectively. The reduced figures referred to in the next sentence of the text and ultimately adopted as a basis of settlement were, of course, $\frac{2}{3}$ ths of these amounts.

² A jugar is 1.422 acres.

³ By this term are designated for the present purpose, in the case of Hungarian Reparations, Belgium, the British Empire, France, Italy, Japan and Portugal.

- (4) From the share of the Western Powers¹ in Bulgarian Reparations annuities;
- (5) From annuities payable by the British Empire, France and Italy and drawn in effect from Czechoslovakia's payments in respect of liberation debts.

In addition to these payments provision was made for two special reserves.² It will be observed that Czechoslovakia did not undertake

¹ By this term are designated for the present purpose, in the case of Bulgarian Reparations, Belgium, the British Empire, France and Italy; but *not* Japan or Portugal.

² The details of these payments and reserves were as follows:

(i) (a) The maximum Rumanian payment to the Agrarian Fund was to be 500,000 gold kronen a year from 1931-43, and 836,336 gold kronen from 1944-66 inclusive. This payment was subject to reduction in respect of the capital value of local Rumanian indemnities already accepted by certain Hungarian claimants, or of the value of rejected claims, if any.

(b) The maximum Yugoslav annuity was to be 1,000,000 gold kronen from 1931-43 inclusive, and 1,672,672 gold kronen from 1944-66 inclusive. These payments were likewise subject to reduction in certain cases.

(ii) Belgium, the British Empire, France, Italy, Japan and Portugal were entitled under Agreement 15 concluded at The Hague on the 20th January, 1930, to 7.27 per cent. of Hungary's Reparation annuities between the 1st July, 1930, and 1943. Since these annuities rose from 7,000,000 gold kronen in 1930 to 13,000,000 gold kronen in 1936-41, and to 14,000,000 gold kronen in 1942 and 1943, this percentage thus represented an average of roughly 850,000 gold kronen a year.

(iii) During each of the 23 years from 1944-66, Hungary undertook to pay 13,500,000 gold kronen in respect of special claims. Of this sum 6,100,000 gold kronen were assigned to the Agrarian Fund.

(iv) Belgium, the British Empire, France and Italy were entitled under Agreement 15 concluded at The Hague on the 20th January, 1930, to 4.222 per cent. of Bulgarian Reparations, amounting on the average to roughly 485,000 gold francs. This sum was payable to the Agrarian Fund from the 1st April, 1930, until the 1st April, 1966.

(v) The maximum annuities payable by the British Empire, France and Italy were as follows: 1932 and 1933—800,000 gold kronen per annum to be divided equally between France and Italy; 1933-43 inclusive—a total of 4,137,640 gold kronen per annum, of which 827,528 was to be paid by the British Empire, 1,680,000 by France, and 1,630,112 by Italy; 1944-66 inclusive—a total of 3,179,296 gold kronen per annum, of which 579,269 was to be paid by the British Empire, 1,340,000 by France and 1,260,027 by Italy.

The special reserves referred to related to (a) a special area of 145,000 cadastral jugars, concerning which a direct settlement had been negotiated prior to the Paris settlement. This settlement had, however, again come into dispute, and in April 1930 the ultimate fate of the land in question was uncertain. France, Italy and the Czechoslovak section of Fund B were to bear the risk contingent upon settlement of this dispute, up to a maximum of 13,000,000 gold kronen, of which France and Italy were to contribute 45 per cent. each and the Czechoslovak section of Fund B 10 per cent. (b) Another special reserve was also to be created in accordance with Article 20 in order to deal with certain categories of Hungarian claimants and potential claimants against Czechoslovakia, and was to amount to a maximum of 326,000 gold kronen per annum from 1933-43, and 545,291 gold kronen per annum from 1944-66, these total

to make any definite direct contribution to the Agrarian Fund. In lieu thereof, the Czechoslovak Government agreed to pay directly to Hungarian claimants indemnities due under local Czechoslovakian legislation, and in effect sums so paid were to be considered as equivalent to payments to the Agrarian Fund.¹ For the management of the fund a Managing Commission was provided and given various powers with regard to payments, the issue of loans, and so forth.

The outstanding differences between Hungary and Czechoslovakia, Yugoslavia and Rumania in respect of other types of claims under Articles 63, 191, and 250 of the Treaty of Trianon, e.g. claims in respect of properties belonging to the Hungarian Archdukes, claims as to church properties, the local railway companies and miscellaneous industrial claims, were settled by the creation of another fund entitled 'Fund B'. Fund B was to have a nominal capital of 100,000,000 gold kronen (£4,200,000 at par), and payments to Hungarian nationals under decisions by the Mixed Arbitral Tribunals and agreed settlements were to be made out of the resources of the fund.

Fund B was to be constituted by means of annuities payable on a 3 per cent. basis during 1931-43 inclusive, and on a 5 per cent. basis, together with sinking fund, during 1944-66 inclusive. During the first thirteen years of the fund the total annuities of 3,000,000 gold kronen (£125,000) per annum were to be provided by Great Britain, France and Italy, which were to contribute 20 per cent., 40 per cent., and 40 per cent. respectively. During 1944-66 the total annuity including sinking fund was to be 7,400,000 gold kronen (£3,100,000) per annum, or the remainder of the Hungarian payment of 13,500,000 gold kronen in respect of special claims after deducting the 6,100,000 gold kronen payable to Fund A. In addition, Fund B might in certain circumstances receive certain surpluses from the Agrarian Fund.²

contributions being made by France and Italy together. Special conditions were laid down in Annex D to Agreement 3 for the use of this special reserve. (See *Cmd.* 3910 of 1931, pp. 52-4.)

¹ Czechoslovakia was only bound to make direct payments to the fund in the event that a claimant to whom an indemnity was due by virtue of local legislation decided not to accept payment (see Article 14 of Agreement No. 3 in *Cmd.* 3910 of 1931).

² On the 21st August, 1931, international conventions were signed at Berne by the Swiss Government on the one hand, and Great Britain, France, Hungary, and Italy on the other hand, providing that Funds A and B should be domiciled at Basle; that their juridical personalities should be recognized by the Swiss Government, and that the funds (but not the funds' employees) should be exempted, subject to certain minor exceptions, from Swiss taxation, and should be free from hindrance and confiscation in peace and war. See *International Conventions for the Establishment of Funds A and B* (*Cmd.* 3407 of 1932).

It remains to summarize the financial arrangements concluded between Hungary and her creditors. In the first place Hungary confirmed her obligation to pay the Reparation annuities laid down in 1924.¹ While refusing, as has already been stated,² to make any further payment on Reparations account after 1943, Hungary recognized the special claims advanced by her creditors and agreed to make a payment of a constant annuity of 13,500,000 gold kronen during the 23 years 1944–66 inclusive. This payment, as has already been shown, was in fact utilized to finance Funds A and B. The payments due up to 1944 were subject to the provisions relating to transfer control which had been laid down at the time of the Financial Reconstruction of Hungary in 1924; but the payments due after 1944 constituted an ‘unconditional obligation, that is to say, without any right of suspension whatever’; and they were to be made ‘to the Bank for International Settlements in gold or in currency equivalent to gold’ (Art. 4). In exchange for these payments, the creditor Powers waived the first charge which was granted to Reparations and war costs by Article 180 of the Treaty of Trianon, and Hungary thus recovered her financial independence. Hungary undertook, however, to reserve from her state revenues sums equal to 150 per cent. of the annuities which she was to pay. The creditor Powers undertook to cease to apply their rights of retaining and liquidating the property and interests of Hungarian nationals; the mutual and converse claims of Hungary against Germany, Austria and Bulgaria were cancelled; and the relations between the Reparation Commission and Hungary were closed, subject, however, to the transfer of certain of the powers of the Reparation Commission, which were required for the carrying out of the agreement, to the Bank for International Settlements. By this agreement a ‘complete and final settlement’ was at last reached of a question which, apart from that of

¹ It may be convenient to summarize these annuities:

<i>Year.</i>	<i>Gold Kronen.</i>	<i>Year.</i>	<i>Gold Kronen.</i>
1930 . .	7,000,000	1937 . .	13,000,000
1931 . .	8,000,000	1938 . .	13,000,000
1932 . .	9,000,000	1939 . .	13,000,000
1933 . .	10,000,000	1940 . .	13,000,000
1934 . .	11,000,000	1941 . .	13,000,000
1935 . .	12,000,000	1942 . .	14,000,000
1936 . .	13,000,000	1943 . .	14,000,000

In addition, provision was made for any deficiency between 21,000,000 gold kronen and the value of Hungary's deliveries in kind in the years 1924, 1925 and 1926, a quarter of such deficiencies being added to payments due in each of the years 1940–3 inclusive.

² See p. 142 above.

German Reparations, was perhaps the most thorny complex of all the financial problems created by the Peace Treaties.

(5) *Liberation Debts, Ceded Properties and the Distribution of Non-German Reparations.*

There remained for settlement at The Hague the tangled skein of problems connected with the liberation debts, the properties ceded by Austria and Hungary to the successor states, and the shares of the various Reparations creditors in the payments to be received under the Hague Agreements.

The liberation debts arose from agreements¹ concluded on the 10th September, 1919, between the Allied and Associated Powers and the successor states of the Hapsburg Monarchy. Under these agreements Italy, Czechoslovakia, Poland, Rumania and Yugoslavia undertook to pay the Principal Allied and Associated Powers a maximum of 1,500,000,000 gold francs (£60,000,000 gold) 'as a contribution towards the expenses of liberating' those states or the territories which they acquired from the former Hapsburg Monarchy. Subject to a maximum payment by Czechoslovakia of 750,000,000 gold francs (£30,000,000 gold), the total contribution was to be apportioned between the liberation debtors on the basis of the pre-war revenues of the territories which they acquired.

Article 208 of the Treaty of St. Germain and Article 191 of the Treaty of Trianon provided that the successor states to which territory of the former Hapsburg Monarchy was transferred should acquire all property and possessions situated within those territories and belonging respectively to the Austrian and Hungarian Governments. The value of properties thus acquired was to be fixed by the Reparation Commission and placed to the credit of Austria or Hungary respectively and to the debit of the successor states. To this general rule exception was made in the case of the possessions of provinces and other local authorities (including public schools and hospitals) and certain other minor items. Provision was also made for the transfer of the pre-war Austrian and Hungarian debt.² The debt secured against specific properties, for example salt mines or railways, was to be taken over by the successor state which acquired the mortgaged properties. The unsecured debt was to be taken over by each state on the basis of the pre-war revenues of the territories acquired; and, in order to avoid double counting, each successor state was to set

¹ *Cmd.* 458 and *Cmd.* 459 of 1919.

² In Article 203 of the Treaty of St. Germain and Article 186 of the Treaty of Trianon.

off the value of unsecured debt thus taken over against the value of properties ceded to it as fixed by the Reparation Commission.

The first arrangement for sharing the proceeds of non-German Reparations was made in the Liberation Debt Agreements signed at St. Germain-en-Laye on the 10th September, 1919.¹ These agreements provided that each successor state (and Italy) should set off its total share of the liberation debt, together with the value of properties ceded to it, against 'the approved claims, if any, of these states for Reparation'. If in any case the value of the liberation debt and ceded properties was greater than approved Reparation claims, then the state in question undertook to issue 5 per cent. bonds against the excess to a person or body designated by the Principal Allied and Associated Powers. If, however, approved Reparation claims exceeded the sums due for liberation and ceded properties, then the latter amounts were to be 'reckoned as payments by way of Reparation' and no further Reparation payments were to be made to these States until other Reparation creditors had received a like proportion of their approved claims.

The next step in the treatment of Reparations was at the Spa Conference in July 1920. Under the Spa Agreement the Reparations from Austria, Hungary and Bulgaria and liberation payments by Italy, Czechoslovakia, Rumania and Jugoslavia were to be pooled. The aggregate sum available in the pool was then to be divided, 41.75 per cent. going to Belgium, the British Empire, France, Japan, and Portugal, and an undefined share to Greece, these states being pure creditors on both Reparation and liberation payment accounts, while the balance was to be apportioned between Italy, Rumania, Jugoslavia, Czechoslovakia and 'the other Powers entitled to reparation which' were 'not signatories of this agreement' and which were creditors on Reparation account, but debtors in respect of liberation payments.² The shares assigned by the Spa Agreement to the purely creditor countries were as follows: British Empire, 11 per cent.; France, 26 per cent.; Belgium, 4 per cent.; Japan and Portugal, 0.375 per cent. each. Of the states which were creditors on Reparation

¹ The agreements in question were between the Allied and Associated Powers 'with regard to the contributions to the cost of liberation of the territories of the former Austro-Hungarian Monarchy' (*Cmd.* 458 of 1919) and between the Allied and Associated Powers 'with regard to the Italian reparation payments' (*Cmd.* 459 of 1919). Both these agreements were signed at St. Germain-en-Laye on the 10th September, 1919. The Italian agreement of the 10th September, 1919, departed slightly from the agreement with the other successor states; and accordingly, on the 8th December, 1919, the necessary amendments were made to bring it into line. (See *Cmd.* 639 of 1919.)

² Spa Agreement (*Cmd.* 1615 of 1922), Articles 1 and 2.

account, but debtors in respect of liberation payments, only the share of Italy was fixed in the Spa Agreement at a total of 25 per cent. Greece, the other pure creditor country, did not have her share fixed (at 12·7 per cent.) until 1925, when definite shares were also allotted to Rumania (10·55 per cent.) and Yugoslavia (10 per cent.).¹ Owing to her special position in respect of liberation debt, Czechoslovakia of course received no share either under the Spa Agreement of 1920 or under the Finance Ministers' Agreement of 1925.

It will be observed that the arrangement concluded at Spa was tantamount to a reduction by roughly one-half of the net contribution to the costs of liberation payable by the successor states and Italy to the British Empire, France, Belgium, Japan, Greece and Portugal; for obviously if the liberation debts were to be put into a pool and if nearly 50 per cent. of the pool were then to be returned to the liberation debtors, that arrangement was equivalent to a cancellation of this part of the debt—subject, however, to minor readjustments as between themselves of the respective shares of the total owed and the total claimed.

The next stage in the treatment of these questions was accomplished in an agreement between the Finance Ministers of Belgium, Yugoslavia, Great Britain, Italy and France, which was signed at Paris on the 11th March, 1922.² It will be remembered that the Paris Peace Treaties placed a joint Reparations liability on Germany and her former allies. The Schedule of Payments of the 5th May, 1921, imposed upon Germany a total liability of 132 milliard gold marks divided into bonds of three series. Series 'C' of these bonds totalled 82 milliard gold marks and the German share in them was to be reduced by 'any sums received from other enemy or ex-enemy powers in respect of which [the Reparation] Commission' might 'decide that credit should be given to Germany'.³ The Paris Agreement of the

¹ In the Finance Ministers' Agreement signed at Paris on the 14th January, 1925 (Cmd. 2339 of 1925). The shares of Greece and Rumania were fixed by Article 7 of this agreement. The same article fixed the shares of these countries in German Reparations at 0·4 per cent. of German payments in the case of Greece and 1·1 per cent. in the case of Rumania. As an historical curiosity, it may be noted that, although the Yugoslav delegate signed this agreement, and although it was therefore presumably understood that Yugoslavia was to receive the unapportioned 10 per cent. of non-German Reparations, as well as the unapportioned 5 per cent. of German Reparations, these allocations were not explicitly made in the agreement of the 14th January, 1925, nor, so far as the present writer can discover, in any subsequent published agreement down to the final settlement at The Hague in 1930. ² Cmd. 1616 of 1922.

³ Schedule of Payments, 5th May, 1921, Article 1. (*Reparation Commission: Official Documents relative to the Amount of Payments to be Effected by Germany under Reparation Account*, p. 5.)

11th March, 1922, linked the German 'C' bonds with non-German Reparations and the liberation debt, and provided that Italy, Yugoslavia and Rumania might discharge their obligations for payment of liberation expenses by handing over 'C' bonds (less the reduction appropriate under the Spa percentages) for re-allocation amongst the other creditor Powers. Inasmuch as the 'C' bonds were never paid and were ultimately cancelled, this arrangement was tantamount to cancellation of the liberation liabilities of all the successor states except Czechoslovakia and Poland. A final clearance of all these claims and counter-claims was made at The Hague.¹

The only one of the liberation debtors whose debt had not been

¹ It may be convenient to summarize here the arrangements finally reached for the distribution of the pre-war Austrian and Hungarian debt. The debt secured against specific properties—mainly a railway debt—was apportioned between all the successor states (including Austria and Hungary) in accordance with the properties taken over. A list of the bonds in question and of their allocation may be found in the Seventh Report of the Reparation Commission (*Distribution of the Pre-War Austrian and Hungarian Debt*). The unsecured debt was ultimately calculated at a total of roughly 7·8 milliard kronen in the case of Austria and 6·7 milliard kronen in the case of Hungary. In accordance with the provision of the treaties for apportioning the debt on the basis of the pre-war revenues of the territories respectively taken over by the successor states and remaining to Austria or Hungary, the Reparation Commission apportioned the unsecured pre-war Austrian debt as follows:

	per cent.
Austria	36·827
Italy	4·087
Poland	13·733
Rumania	1·610
Jugoslavia	2·043
Czechoslovakia	41·700

(*op. cit.*, pp. 18 and 41); while the Hungarian debt was apportioned on a somewhat different basis, allowance being made in the case of certain securities for the special status of Croatia-Slavonia and the participation of Poland. (For this provision see *op. cit.*, pp. 19–20 and p. 43.) The treaties provided that the bonds representing the unsecured debt should be stamped by the state in whose territories the bonds were held, the stamping to be terminated on the 1st June, 1924. The adjustments of debit and credit balances in respect of excesses or deficiencies of stamped bonds over the allocated shares were then to be made; while in order to secure the position of holders of pre-war Austrian and Hungarian securities domiciled outside post-war Austria, Hungary and the successor states, a *Caisse Commune des Porteurs étrangers des Dettes Publiques* was created under a protocol known as the Innsbruck Protocol (dated the 25th June, 1923). The articles of the *Caisse* were signed in Paris, and the rules for its operation were laid down in an agreement signed at Prague on the 14th November, 1925. (See the Reparation Commission: Supplementary Volume No. 13 on the *Distribution of the Pre-War Austrian and Hungarian Debt*.)

previously cancelled and who therefore was called upon in the end to make a payment under this heading was Czechoslovakia.¹ In addition to her share of the liberation debt, fixed at a maximum of 750,000,000 gold francs,² which Czechoslovakia had been trying for years to reduce to 250,000,000 gold kronen, she had incurred a War Debt of £1,200,000 to Great Britain, 600,000,000 francs to France, and 170,000,000 lire to Italy. Moreover, at the First Hague Conference Italy had undertaken to meet the British claims advanced by Mr. Snowden by offering a payment of 9,000,000 gold marks which Italy in turn counted on receiving from the Czechoslovak liberation payments.³ In the end 'a complete and final settlement' of all these claims was made at The Hague by a Czechoslovak undertaking to pay 37 annuities of 10,000,000 gold marks from 1930 to 1966.⁴ The Hague arrangement was explicitly stated to be 'a final settlement of all the obligations of Czechoslovakia which may result from the Treaties of Versailles, St. Germain, Trianon, Neuilly, from the Agreement of the 10th September, 1919, and from all arrangements supplementary to the said Treaties and Agreements'.

There remained to be arranged at The Hague the final clearance of all matters concerned with ceded properties and the apportionment of German and non-German Reparations. This was accomplished in the last of the Hague Agreements, which was made between the creditor Powers.⁵ This instrument provided as follows:

1. The major share of the Czechoslovak annuity was apportioned

¹ The treatment accorded to Poland is obscure. Under the Liberation Agreement of the 10th September, 1919, Poland was to have been a contributor. Moreover, no percentage of German or non-German Reparations was assigned to Poland under the Spa Agreements, Article 10 of which, however, recognized and reserved the 'right of Poland to reparation for damage suffered by her as an integral part of the former Empire of Russia'. Subject to this reservation the same article expressly excluded Poland from the provisions of the Spa Agreement. Furthermore, Poland was liable to Germany and Austria for ceded properties in pre-war German and Austrian territory; and the Spa Agreement provided that the amounts in question should be entered provisionally in suspense accounts. In the end, claims were practically wiped out on both sides and Poland was granted by the Young Committee and the Hague Conference a trifling percentage in the Young annuities during the years 1929 to 1965 inclusive. The average annuity assigned to Poland during these years was 0.025 per cent. of the total of German Reparations.

² By the Agreement of the 10th September, 1919, signed at St. Germain-en-Laye. (*Agreement between the Allied and Associated Powers with regard to the Contributions to the Cost of Liberation of the Territories of the Former Austro-Hungarian Monarchy* (Cmd. 458 of 1919), Article 2.)

³ See the *Survey for 1930*, p. 497.

⁴ Cmd. 3484 of 1930, Document No. 14.

⁵ *Op. cit.*, Document No. 15.

between France, Great Britain, Italy, Greece and Belgium, Japan and Portugal receiving minor shares.¹

2. As regards Hungarian Reparations under the 1924 agreement, Yugoslavia received the whole of the sums paid up to and including the 30th June, 1930, less a small deduction to cover the administrative expenses of the Reparations Commission. The balance of Hungarian Reparations from the 30th December, 1930, up to 1943 was to be apportioned as to 76·73 per cent. to Greece, 13 per cent. to Rumania, 1 per cent. to Czechoslovakia, and 2 per cent. to Yugoslavia. The balance, 7·27 per cent., was assigned to the other creditor Powers,² and was transferred by them as a contribution to Fund A.³

3. Bulgarian Reparations were assigned in the first instance to Greece, which received the liquid assets realized by the Reparation Commission in pursuance of the Treaty of Neuilly and not yet distributed at the time of the Hague Conference, and the first payment of 5,000,000 gold francs to be made by Bulgaria on the 1st April, 1930, under the agreement concluded at The Hague. The remaining Reparation payments by Bulgaria up to 1943 were apportioned as to 76·73 per cent. to Greece, 13 per cent. to Rumania, 1 per cent. to Czechoslovakia, and 5 per cent. to Yugoslavia. The balance of 4·27 per cent. was assigned to the other creditor Powers. In the outcome, however, the other creditor Powers⁴ sacrificed their share of Bulgarian Reparations by assigning them to Fund A.⁵

The large share of Greece in the Czechoslovak, Hungarian and Bulgarian payments will be noted. This arose in consequence of a

¹ The actual apportionment was as follows:

	Gold Marks
France	3,187,854
Great Britain	1,384,519
Italy	3,146,632
Belgium	418,816
Japan	51,920
Portugal	51,920
Greece	1,758,339
	10,000,000

² Belgium, British Empire, France, Italy, Japan and Portugal.

³ Under Article 5 of Annex 2 of Agreement 13 concluded at The Hague (*Cmd.* 3484 of 1930, p. 161) and under Article 2 of Agreement 3 of the Paris Agreement signed with Hungary on the 28th April, 1930 (*Cmd.* 3910 of 1931).

⁴ Except Japan and Portugal. The share contributed to Fund A by Belgium, the British Empire, France and Italy amounted to 4·222 per cent. of Bulgarian Reparations. Japan and Portugal remained entitled to a trifling payment out of Bulgarian Reparations—some 5,000 gold francs per annum, or roughly £100 each at par.

⁵ In Article 2 of the Paris Agreement signed on the 28th April, 1930. (*Cmd.* 3910 of 1931.)

promise by the British, French and Italian Governments at the First Hague Conference to endeavour to obtain for Greece out of non-German Reparations a sum adequate to cover her out-payments on War Debts to Great Britain and the United States (the necessary additional amount averaged 9,000,000 Reichsmarks [£450,000 at par]) and a capital sum not exceeding 80,000,000 Reichsmarks (£4,000,000 at par) to meet her claim for damage during the period of Greek neutrality.¹

Since the distribution so fixed was 'final and inclusive' and since the agreement between the creditor Powers constituted 'a final settlement as between the signatory Governments of all their claims' in respect of ceded properties, liberation debts and non-German Reparations, it was to be hoped that the close of the Second Hague Conference on the 20th January, 1930, had cleared away these ensnarled and contentious questions for good and all.

(6) *Conclusion.*

It would be pointless to prepare a detailed balance-sheet of the gains and losses of the non-German Reparations settlement at the Second Hague Conference. On the financial side the principal gains were first the complete wiping out of Austrian Reparations and the fixing of definite and final Reparations settlements for Hungary and Bulgaria; secondly, the recovery by these three Powers of their financial freedom from the Reparations liability which was imposed on them as a first charge under the Peace Treaties; thirdly, the settlement of the controversial and embittered Hungarian Optants Question; fourthly, the final clearance of all the tangled and (except in the case of Czechoslovakia) unreal claims and counter-claims for ceded properties and liberation debts; and finally, an agreed apportionment of the various payments decided upon. The Second Hague Conference thus disposed of a complex of most contentious and difficult financial problems which had been troubling Europe for over a decade. Still more important, perhaps, was the political *détente* which resulted.²

On the accomplishment, as it appeared to participants, probably no better summary can be found than that which Mr. Snowden prefixed to the British Blue Book containing the Hague Agreements.³

¹ Mr. Snowden's statement in the summary preceding the Hague Agreements (*Cmd.* 3484 of 1930, p. 12).

² On these political advantages see particularly Dr. Beneš's statement in the *Prager Presse* for the 22nd January, 1930.

³ *Cmd.* 3484 of 1930. The summary is printed in *Documents on International Affairs*, 1930.

'The political importance of these settlements', said Mr. Snowden, 'and their effect on the credit and economic stability of the countries of Central and Eastern Europe need not be emphasized. From the financial point of view the sums at stake were relatively insignificant and the Great Powers agreed to sacrifice a large proportion of their shares in the prospective payments in order to attain a general settlement.'

With regard to Austria, Mr. Snowden pointed out that while it had 'long been generally recognized that Austria' was 'not in a position to pay Reparations', it had previously 'been impossible to secure agreement on the definite cancellation of her liabilities under the Treaty of St. Germain. The continued existence of these liabilities . . . hampered the recovery of Austrian credit and made it impossible for the Austrian Government to raise loans without the consent of the Reparation Commission. The Agreement made at The Hague definitely and finally' discharged 'Austria from her financial obligations under the Treaty'.

With regard to Bulgaria, Mr. Snowden pointed out that the scale of payment adopted was, 'in the opinion of the best authorities, well within the capacity of Bulgaria', and he said that it might be 'hoped that, with their Reparation liabilities definitely and satisfactorily settled, the Bulgarian Government' would 'take the necessary measures to re-establish the financial and economic position of their country on a secure and sound basis'.

'The agreement with Hungary', Mr. Snowden observed, 'raised the most difficult problems in non-German Reparations. It involved a settlement not only of the obligations of Hungary under the Treaty of Trianon, but of the claims of Hungarian nationals against Rumania, Czechoslovakia and Jugoslavia, particularly those arising in consequence of the Agrarian Reforms. The problem of the Hungarian Optants in Rumania' had 'been before the Council of the League of Nations in one form or another for over six years and' had 'become a matter of acute political controversy in all the countries concerned. The solution of this controversy by the Hague Conference therefore' represented 'a political achievement of capital importance. A solution was only reached at an all-night sitting on the eve of the close of the Conference . . .'

After summarizing the details of the Hague Settlement, Mr. Snowden proceeded to justify the contribution which Great Britain had made to a final clearance of the Optants Question. 'While last August I insisted', he said, 'that Great Britain should receive her proportionate share of the German annuities, I have never refused

to accept proportionate sacrifices, where a just case could be established for such concessions, and in this instance I am fully satisfied that the limited contribution which it is proposed Great Britain should make is fully justified as an essential factor in securing a settlement of the protracted and dangerous controversy between Hungary and her neighbours.'

Mr. Snowden further pointed out that the Czechoslovak Liberation Debt and a number of other questions had been finally settled, and that the liabilities of the successor states in respect of ceded properties of the old Hapsburg Monarchy 'which represented a wholly irrecoverable claim' were definitely cancelled as well as all liberation debt claims except for that of Czechoslovakia. 'Broadly speaking', he observed, 'the Great Powers have renounced practically all their shares in non-German Reparation receipts in order to secure the acceptance by Greece, Rumania, Czechoslovakia and Jugoslavia of the settlements proposed both with Germany and with the other ex-enemy states.'

Mr. Snowden's 'rapid summary' of the settlements with regard to both German and non-German reparations would suffice, he said, 'to indicate both the importance and the wide scope of the agreements reached at The Hague. The conclusion of these agreements was made possible by the large amount of preparatory work ably done by the technical committees set up after the adjournment of the Conference' in August 1929. 'But in every case these committees had had to leave important and difficult questions still to be settled at the Conference itself. Some of these questions' had 'been the subject of bitter contention for years, and, in the case of the Hungarian Optants' claims, repeated efforts had been made under the auspices of the League of Nations to find a settlement without success. That agreement should have been reached on all these points, without exception, at The Hague' indicated 'the spirit of mutual conciliation that prevailed at the Conference and' was 'the best augury for that future collaboration between the nations of Europe which is essential for the maintenance of our prosperity.'

(d) FROM THE SECOND HAGUE CONFERENCE TO
THE LAUSANNE CONFERENCE

Unhappily, the settlement reached with so much trouble at The Hague was not to last. Non-German Reparations, like German Reparations, were to be overwhelmed by the tempest which the economic crisis loosed upon the world. During the first year following

the settlement obligations were faithfully observed and payments punctually discharged. But the crisis came on the 20th June, 1931, when Mr. Hoover, the President of the United States, issued his proposal for a moratorium of inter-governmental debts for one year from the 1st July, 1931, to the 30th June, 1932. The principal difficulties involved in accepting this proposal arose in connexion with German Reparations,¹ and were in the outcome brought before an International Committee of Experts which sat in London and reported on the 11th August, 1931. But as the Hague settlements and President Hoover's proposal also affected non-German Reparations as well as a number of other inter-governmental debts, the Committee of Experts was obliged to attempt a solution of the whole complex of problems.²

The conclusion which they reached was as follows.³ In the first place, the Committee recommended that Funds A and B should be continued. 'We agree', they wrote, 'that it is very desirable that the payments to these Funds should not be interrupted during the "Hoover Year"'. We express no opinion on the juridical question as to whether these payments are inter-governmental, but our recommendation is based on grounds of policy and, in particular, the undesirability of endangering the successful working of arrangements reached after lengthy and difficult negotiations in a case where the financial sums at stake are relatively inconsiderable.' The Committee stated that this proposal was agreed to in principle by the Governments of Czechoslovakia, France, Italy, Rumania and the United Kingdom, while the Hungarian Government likewise agreed to adopt the experts' recommendation on condition that the financial basis of the funds was fully maintained. The Bulgarian Government had not taken a decision on this matter at the time of the experts' report.⁴

Subject to the continuance of Funds A and B, the experts proposed that Hungary's Reparation payments should be suspended on terms similar to those proposed for the conditional German, Austrian and Allied War Debts.

¹ See the *Survey for 1931*, pp. 73 *seqq.* and the present volume, pp. 100-2.

² The Yugoslav Government were unable to accept the experts' recommendation with regard to Germany on the ground that 10 per cent. of the Yugoslav Budget would thereby be sacrificed, 'a sacrifice proportionately much greater than that of any other interested party'. (*Cmd.* 3947 of 1931, p. 27.) On the other hand, the Yugoslav Government do not appear to have made any similar reservation in the cases of Bulgaria and Hungary. The Yugoslav Government did not, however, sign the Protocols concluded with Bulgaria and Hungary on the 21st January, 1932, as to which see below, p. 170.

³ See the *Report of the International Committee of Experts* (*Cmd.* 3947 of 1931).

⁴ i.e. on the 11th August, 1931. Ultimately Bulgaria also accepted this proposal on the 21st January, 1932. See below, p. 170.

In the case of Bulgaria, a difficulty arose with Greece in connexion with the Molov-Kaphandáris Agreement. Under this agreement the Greek Government were due to pay Bulgaria during the 'Hoover Year' about £190,000 in respect of Bulgarian refugee property.¹ The Bulgarian Government maintained 'that the payments' were 'in respect of private properties, that they' were 'for the benefit of private bondholders and that the arrangements made for the Governments to act as the channel for part of these payments' did 'not alter their fundamental nature as private debts'. The Greek Government, on the other hand, argued that 'this debt' was 'an inter-governmental debt, because it' was 'due and paid by one Government to another, because it' was 'nowhere stated in the relevant agreement that the sums thus paid' would 'be assigned to the service of any obligations held by private persons, and, finally, because there' were 'no securities held by Bulgarian emigrants carrying the name of the Greek Government as debtor'. The Greek Government further pointed out that they would be placed in a difficult position if they were obliged to make payments to Bulgaria while Bulgarian and Hungarian payments, 76·73 per cent. of which were due to Greece under the Hague Settlement, were suspended. The experts decided that it was not within their competence to settle the difference of opinion thus expressed and referred the matter back to the two Governments concerned, recommending, however, their emphatic view that 'it' was 'desirable that a practical settlement should be reached' and hoping 'that the Bulgarian and Greek Governments' would 'approach the matter in the most conciliatory spirit possible so that this end' might 'be achieved'.

At the London Conference of Experts the Czechoslovak payment was suspended on terms similar to those applied to the German conditional annuities, i.e. the sums due under the Hague Agreement during the 'Hoover Year' from the 1st July, 1931, to the 30th June, 1932, were suspended and were to be repaid with 3 per cent. interest in ten equal annuities of 1,146,700 gold marks, beginning on the 1st July, 1933. These repayments were to be 'an absolute obligation involving no option of postponement'.²

In the case of the suspension of Czechoslovak payments, as also in the case of German Reparations, Greek acceptance of the Hoover proposals was dependent, first, upon the suspension of payments under the Molov-Kaphandáris Agreement, and second, so far as Hungarian Reparations were concerned, on the exemption from

¹ *Cmd.* 3947 of 1931, p. 7.

² *ibid.*, p. 41.

suspension of payments 'referring to damages during the period in which Greece was neutral'.¹

A final settlement regarding the suspension of Hungarian and Bulgarian payments was not reached until the 21st January, 1932. By a Protocol² concluded in London, Hungary then agreed to the proposal of the Experts' Committee to maintain payment during the 'Hoover Year' of the 7·27 per cent. of Hungarian Reparations payable to Fund A, the remainder being postponed until the 1st July, 1933, and repayable from that date in ten equal annuities.

The Bulgarian Protocol of the 21st January, 1932,³ similarly provided for the payment of the 4·222 per cent. of Bulgarian Reparations which were assigned to Fund A. The Protocol likewise settled the Graeco-Bulgarian difficulty over the Molov-Kaphandáris Agreement. Nominally, Bulgaria was to pay 4,000,000 gold francs to Greece during the 'Hoover Year'; but actually under a separate arrangement the Greek Government authorized the Bulgarian Government to deduct some 2,300,000 gold francs from the Greek share of Bulgarian Reparations due in the 'Hoover Year', and equal and opposite payments made by Greece to Bulgaria on the 31st December, 1931, and by Bulgaria to Greece on the 31st March, 1932, settled the balance due under the Molov-Kaphandáris Agreement, the net result being in effect that Bulgaria herself met internally the sums due under the Molov-Kaphandáris Agreement.⁴

The agreements just summarized provided that the repayment of postponed annuities should take place on a 3 per cent. basis. The resolution passed by the United States Senate in December 1931 ratified the Hoover Plan, but provided that repayment of the suspended annuities on debts due to the United States Government should be made at 4 per cent. interest; and accordingly a corresponding adjustment was necessary in the Czechoslovak, Hungarian and Bulgarian Protocols.⁵ Before the conclusion of the 'Hoover Year' on the 30th June, 1932, a Conference was convoked at Lausanne on the

¹ Greek Declaration respecting Protocols concerning Germany and Czechoslovakia (*Cmd.* 3947 of 1931, pp. 26 and 35).

² *Cmd.* 4052 of 1932.

³ *Cmd.* 4071 of 1932.

⁴ For this quite peculiar transaction see Article 3 of the Protocol with Bulgaria of the 21st January, 1932, and Articles 3 and 4 of the annexed arrangements between Greece and Bulgaria, dated the 11th November, 1931. (*Cmd.* 4071 of 1932.)

⁵ The revision in the case of the Czechoslovak Protocol was signed at Lausanne on the 29th June, 1932; while in the cases of Bulgaria and Hungary the new agreements were dated the 7th July, 1932. See the *Supplementary Protocols relating to the Suspension of Inter-governmental Debts* (*Cmd.* 4206 of 1932).

16th June, 1932, by Germany, Belgium, France, the United Kingdom, Italy and Japan, to consider the complex problems of inter-governmental debts which, apart from any other arrangement, would then have arisen under existing agreements. In addition to the inviting Powers, Australia, Canada, India, New Zealand, South Africa, Bulgaria, Greece, Hungary, Poland, Portugal, Rumania, Czechoslovakia and Yugoslavia were represented. The major task of the Lausanne Conference was of course to avert difficulties over German Reparations.¹ But the Conference likewise discussed non-German Reparations, recommended 'that a Committee consisting of one representative of each of the Governments concerned' should 'be set up to consider the group of questions known as non-German Reparations and cognate questions, viewing them within the framework of a general settlement', and reported that they were 'of opinion that, in order to permit the work of the said Committee to proceed undisturbed, without prejudice to any question of principle or to the solutions which' might 'ultimately be reached, the execution of the payments due in respect of the above-mentioned questions should be reserved until the 15th December' 1932, 'failing a settlement before that date'.² Up to the time of writing (May 1933) the Committee provided for at the Lausanne Conference had not met and the question of non-German Reparations, though in abeyance, was not settled.

Owing to the world crisis, however, the problem of non-German Reparations had by this time become linked with the entire problem of the financial and economic condition of Central and Eastern Europe. Certain general features which characterized the situation and the comments which the Financial Committee of the League made in the report on its forty-fifth session form a fitting conclusion to the tale which has just been told. The forty-fifth session of the Financial Committee was held in March 1932 and the situation was then so serious that the Financial Committee felt it to be—

necessary to draw the attention of the Council to a number of general considerations affecting all these countries in common, which constitute the general setting in which their difficulties have to be considered. Whatever may be the errors in budget or loan policy which have been committed, the strain to which these countries are subject is mainly due to world causes over which they have had but little control. That strain cannot be finally relieved, though it may be temporarily or partially alleviated, if these world causes themselves are not removed. . . . The Committee believes it to be its duty to express without reservation its view that, in the absence of effective action on these matters, the

¹ See section (i) of this part of the present volume.

² *Final Act of the Lausanne Conference* (Cmd. 4216 of 1932, pp. 12 and 13).

measures which it has hitherto suggested to help individual countries have become increasingly difficult. It is now faced by the fact that of the four countries with which the League has been particularly concerned, one (Austria) has already been compelled to arrange for a *Stillhalte* covering the principal of most of her banking debts, a second (Hungary) has already declared a moratorium of transfer on the great bulk of her external obligations both public and private, and the two others (Greece and Bulgaria) now declare their inability to meet in full the service of their foreign debt in foreign currencies. This inability to obtain the necessary foreign exchange is not peculiar to Europe. In recent months many extra-European countries have failed to meet their coupons. The fundamental causes of these failures are not to be sought in defects in internal administration or policy. Some countries may have over-borrowed; others may have failed to maintain budgetary equilibrium or to reduce costs. But neither of these unhappy events, if they had occurred at all, would have been so serious had it not been for the collapse in world prices. . . . Within each country, this change in the relationship between the nominal value of debt and the value of the goods in which the service of those debts has, ultimately, to be met has involved a vast change in the distribution of national income to the detriment of the debtor and especially of the farmer and *entrepreneur*. Internationally, it has imposed on debtor countries the need to transfer to their creditors an equivalently larger proportion of their products. At the same time, the demand abroad for such products has seriously contracted. In certain cases, the debtor States are unable to produce and sell the greatly increased quantity of goods now needed to enable them to meet their obligations.¹

Nine months later the position was no better; and on the 25th January, 1933, the Financial Committee was obliged again to express 'its conviction that, in spite of certain general signs of improvement, the measures which it' might 'have to propose to the various countries risk to remain inadequate, owing to the fact that most of the serious problems referred to in its Report of the 29th March, 1932, have not yet been solved'.²

By the summer of 1933, no further change could be reported. At that date the net upshot of all the work done at The Hague and in Paris in 1930, and at previous conferences in earlier years, was that the problems involved in non-German Reparations remained settled but not solved.

¹ League of Nations, Financial Committee: *Report to the Council on the Work of the Forty-fifth Session of the Committee* (Geneva, 29th March, 1932).

² League of Nations, Financial Committee: *Report to the Council on the Work of the Forty-eighth Session of the Committee* (Geneva, 25th January, 1933).

PART III

DISARMAMENT AND SECURITY

(i) Introduction.

THE history of the World Disarmament Conference during the year 1932 casts a searching light upon the character and the prospects of the Great Society of the day. It exposes in the first place the inadequacy of the current social institutions of this society for translating the desires of public opinion and the requirements of the public interest into practical achievements under the new conditions of the age. The exposure, however, does not stop short at the institutional level, but cuts far deeper than that into the quick of Leviathan's body and soul. For it was testified by participants in this Conference, whose testimony was based on first-hand experience and observation, that the current institutions, imperfect though they were, might yet have been made to serve the public interest to vastly greater effect if only the public will had been more steadfast and the public mind more alert. It seemed, in fact, as though in this age an ironic freak of Fortune had bestowed upon Mankind a talent for constructing a material and social apparatus which could only be operated effectively by creatures on an altogether higher intellectual and moral plane than the general average of the living generation of unregenerate men and women.

The same social ineffectiveness, arising from the same intellectual and moral shortcomings, is apparent in many other departments of contemporary world affairs: for example, in the continuing inability to overcome the World Economic Crisis.¹ In the economic field, however, this inability was less remarkable, and less ominous, because the problems to be solved were technicalities of an abstruseness that appeared at the time to be baffling even the most eminent of the economic experts. The history of the Disarmament and Security problem was perhaps more significant for the prospects of the society that was confronted by it, because this problem, while it was possibly not more crucial than the economic problem, was certainly not in the same sense esoteric. In the economic problem the esoteric elements, into which even the understandings of the experts seemed hardly able to penetrate, were of the essence of the difficulty. In the Disarmament and Security problem, on the other hand, the technicalities which were submitted at Geneva in 1932 to the committees

¹ See Part I of the present volume.

and sub-committees of experts were manifestly subordinate to one plain issue which was undoubtedly 'understood of the people'. Should the recently enhanced and still rapidly increasing human command over Physical Nature be placed at the service of the old institution of War in order to wreck Society through a continuance of a warfare which would henceforward be suicidally destructive? Or should the institution of War be abolished, now that it could no longer be indulged in without self-destruction, in order that the new human command over Physical Nature might be placed at the service of Society for the common good and not be employed for anarchical and subversive ends?

In 1932 the people of the world were certainly not altogether blind to this issue, which was as simple in its intellectual aspect as it was momentous in its moral and practical aspects. Indeed, a wide understanding and a deep feeling had been evoked throughout the world since the outbreak of the General War of 1914-18; and these were revealed in 1932 in the expressions of public opinion which were brought to the notice of the statesmen and experts at the Disarmament Conference: first in the petitions which were formally presented, in the opening stage of the Conference, on the 6th February,¹ and thereafter in the resolutions and appeals, from all sorts and conditions of people and from every part of the world, which were addressed to the President of the Conference, Mr. Arthur Henderson, at every stage of its proceedings, and which were brought by Mr. Henderson to the attention of his colleagues in the speech with which he closed the first chapter of the history of the Conference on the 22nd July.² On this occasion, Mr. Henderson let it be apparent that he was painfully impressed by the contrast between the earnestness and anxiety of the public desire for the prevention of a recurrence of war and the disappointingly insignificant contribution towards the attainment of this great public aim and interest that had been made by the statesmen and experts assembled at Geneva in a session which had lasted little short of six months. This impression which had been made upon the mind of the Chairman of the Conference seemed likely to be borne out by the verdict of History. Yet the contemporary historian is bound to express the opinion that the statesmen and the experts would scarcely have shown themselves so unresponsive to the desire of their fellow men for an assurance of peace if the intellectual single-mindedness and the spiritual force with which this desire was cherished by the elect had equally animated

¹ See section (ii) of this part of the present volume, pp. 195-6 below.

² See p. 257 below.

'the man in the street'. The melancholy truth was that, among the great majority of people in all the countries of the World, the inner light was yielding only a feeble and a fitful illumination. For whenever the question arose of paying the price for the elimination of War, which had to be paid if this great object was to be achieved, and which could only be paid if every state made its special contribution, then, in each country, 'the man in the street' was readily persuaded, by his sycophantic national press, into refusing to make any national contribution of his own and insisting that the whole of the price must be paid by other nations. The Germans demanded payment in the coin of French and Polish disarmament; the French in the coin of British and American commitments; the British in the coin of French disarmament and American commitments—and so on through the whole catalogue of sovereign self-centred nations. The combined effect of these incompatible demands was fatally obstructive to the Disarmament Conference's work, and the obstruction was all the more formidable inasmuch as these preposterous claims were put forward, not with a Machiavellian cynicism, but with the self-righteousness of ignorance. For in every country, the press and the politicians flattered the people into believing that their own state had already contributed more than its fair share and that the rest of what had to be paid must come entirely out of foreign pockets. In consequence, the first chapter in the history of this oecumenical conference was a portentous exhibition of political impotence in a society which prided itself on its talent for politics—a kind of engineering in a social medium—almost as much as it prided itself on its talent for metallurgy.

The particular institution which was failing to perform its function was 'Democracy' in the accepted technical sense of a system of responsible parliamentary representative government in a parochial sovereign independent national state. This institution, which had been the master-institution in the political life of an age which was now passing away, had brought into existence, in a number of separate parochial communities, that enlightened public opinion, among men of goodwill, which was praying for peace on earth in 1932. If this public opinion could burst its national bonds, overleap the estranging frontiers, and transpose itself from the parochial on to the oecumenical scale, it might well become a faith that would move mountains; and in 1932 this hope of salvation was still being proclaimed by at least one eminent statesman. In a speech delivered on the 8th August of that year in New York, Mr. Henry Stimson, the Secretary of State in President Hoover's Administration at Washington,

declared that the Multilateral Treaty of Paris ('the Briand-Kellogg Pact') rested upon the sanction of public opinion, and that it had been 'the determined aim of the American Government to make this sanction . . . effective and to ensure that the Pact of Paris should become a living force in the World'.¹ Yet, at the time when this speech was delivered, it was becoming more and more doubtful whether Democracy, as it had been worked out in the Western World in the nineteenth century, would really avail to save the life of the Great Society of the twentieth century of the Christian Era.

In the light of the course of international affairs during the year 1932, it was easier to discern the drawbacks of Democracy than to recognize its benefits. During this year the prevalent distress and anxiety of Mankind were being expressed in an inordinate number of elections, now in one and now in another of the sixty or seventy fully self-governing parochial states among which Mankind was partitioned at the time. During the year following the opening of the World Disarmament Conference on the 2nd February, 1932, there were parliamentary elections in Albania, Belgium, Denmark, France, Germany, Greece, the Irish Free State, Japan, Rumania and the U.S.A. Presidential elections were held in Ecuador, Germany, Nicaragua, Panamá and the U.S.A. In Germany, the parliamentary election of the 5th March, 1933, in which the National-Socialists were successful, was the third general election in eight months, and there were also elections for the Prussian Diet and the two ballots of the presidential election. The imminence of each of these elections projected, time and again, a fresh unknown quantity into the problem of world affairs until the equation virtually passed beyond the range of human ingenuity. And at the same time the benefits which these elections ought theoretically to have brought with them, as some offset to their paralysing effects, were after all not forthcoming.

Theoretically, the purpose of an election, whether parliamentary or presidential, was to place the political power, in the country where the election was held, in the hands of statesmen in whose policy the wishes of the public would be reflected. Yet it cannot be said that the total result of the elections of the year 1932 was to promote the realization of the fitful and unco-ordinated but undoubtedly genuine world-wide public desire for the insurance of peace.

In this matter, the scales were weighted against the hopes of the choicest spirits in every part of the world by the multiplicity of the fully self-governing states; for the domestic political vicissitudes of each single state that was 'a Great Power' were capable, in a

¹ See the quotation from Mr. Stimson's speech on p. 272 below.

world that had become thoroughly interdependent *de facto*, of making or marring the destinies of the whole of the international Great Society; yet it was too much to expect that, in the political life of every one of these 'Great Powers', the currents, at any given moment, should all flow in a single direction, whether for good or for evil. In a world in which everybody was now 'in the same boat', while the boat was being rowed by sixty or seventy rowers who were under no obligation to keep in time with one another, any attempt at rational navigation was evidently a *tour de force*, and it was difficult to see how the boat could be saved from drifting at the mercy of wind and wave and oarsmen's temper or caprice. To vary the metaphor, the task which Mr. Arthur Henderson was being asked to attempt at Geneva was not unlike the puzzle which was set to Alice in Wonderland when she was asked to join in a game of croquet with hedgehogs for balls and flamingoes for mallets. And it will be remembered that, in that fabulous nightmare game, it proved impossible ever to keep the hedgehog curled up to be struck and the flamingo's head bent down to strike at one and the same moment. In the year 1932, the experience of the President of the World Disarmament Conference was much the same. His problem had barely been made soluble by the victory of the Socialist-Radicals and the Socialists in the Parliamentary general election of the 1st and 8th May in France, when this possibility of a solution was carried away in the overthrow of Dr. Brüning on the 30th May and his replacement by Herr von Papen in the Chancellorship of the German Reich. The inordinate difficulty of any rational conduct of international affairs under the prevailing conditions of national parochialism is brought home with overwhelming force by the tragic fact that the Stresemann-Brüning régime in Germany and the Herriot-Daladier régime in France were not only not contemporaneous, but actually did not overlap one another.¹

Yet, even if Fortune had favoured Mankind by bringing Monsieur Daladier and Dr. Stresemann into power together, and keeping them both in power continuously for a number of years, and arranging that their joint efforts for reconciliation and solidarity and peace should be supported by kindred spirits in the Governments of all the other countries on whose policy the fate of the World depended, even then—in those hypothetical favourable circumstances—the Democracy which would thus have surmounted the difficulty of the

¹ See p. 213 below. Monsieur Herriot's previous tenure of the office of French Prime Minister for ten months in 1924-5 did coincide with Dr. Stresemann's tenure of the office of German Foreign Minister; and it may be noted that this period saw the beginning of the negotiations which led up to the conclusion of the Locarno Pact.

plurality of states would have still been confronted with another formidable obstacle in the way of translating the general interest and the general will into terms of effective common action in the sphere of Disarmament and Security.

This other obstacle, in this particular sphere, was the political power and the political outlook of the national experts in land, air and naval warfare.

The power, in the counsels of the Governments, which these experts possessed and exercised in the year 1932 had the same origin and the same explanation as the proportionate power of all experts, in all spheres, at the time. It was notorious that, in every field of social life, power had latterly been concentrating itself in the hands of the experts *de facto* more rapidly and effectively than it had been diffusing itself through the electorates *de jure*. And the reason for this marked and ever increasing discrepancy between constitutional theory and political fact was not obscure. The reason was that Democracy was only one of the two master-institutions of the modern age. The other was Industrialism; and the development of Industrialism had brought with it an increase in the complexity of social organization and material technique which inevitably played into the experts' hands as a matter of fact—at the very time when the peoples fancied themselves to be progressively assuming the control over their own destinies.

This tendency was uniform in all spheres of life; but the consequences differed widely in different spheres in correspondence with certain fundamental differences in the respective functions of the diverse experts and in their respective relations with the public. In the economic field, for example, the experts in question were experts in the management of an industrial and commercial and financial system which, as it developed, was more and more insistently demanding for itself a world-wide field of operations if it was to work profitably or effectively or indeed if it was to work at all. In fact, the economic experts were constrained by their very profession to become more and more oecumenical in their outlook; and the parochial nationalism which was strangling the life of Mankind at the time was a dragon with which the economic experts were engaged in mortal combat in their professional efforts to make a success of their own proper business. Accordingly, in the economic sphere, any transfer of power from the national electorates to the experts was unlikely to obstruct—and was, indeed, likely to promote—a constructive international co-operation for the common good. On the other hand, in the sphere of Disarmament and Security the effect

of the transfer of power from the electorates to the experts here in question was just the opposite.

In this sphere the men and women of the world were alive, in 1932, to the prospect that, in a 'next war', both they and their children and their homes would be bombed from the air, and they were, therefore, keenly anxious to prevent the outbreak of another war, whereas the insurance of peace through Disarmament and through collective arrangements for Security was not at all the business which the experts in this department had originally been trained and commissioned to carry out. In this department, the business of the experts had been, not to insure the maintenance of peace, but to do their best to insure the victory of their respective countries in the event of any outbreak of war. And the experience of the Disarmament Conference with its committees of experts in 1932 made it plain that a mere reversal of standing instructions could not avail to perform the miracle of effacing a professional tradition of immemorial antiquity and transforming Generals, Admirals and Air-Marshals from experts in the national conduct of war into experts in the international organization of peace.

The utter failure of the war-experts, on the technical committees of the World Disarmament Conference at Geneva, to serve their principals in their new capacity can be accounted for sufficiently by reckoning with the notorious strength of professional habit, without resorting to the hypothesis of personal ill-will or bad faith. Yet this explanation was as discouraging from the political standpoint as it was attractive from the moral standpoint. For it is manifestly harder to re-educate a whole profession to a new conception of new duties than it is to cashier individual servants of the public who are deliberately evading the performance of a new duty which they have well understood. As a matter of fact, it is improbable that the issue was raised with any approach to this degree of clarity and sincerity within the bosom of any single one of the sixty or seventy national delegations; for the change in the objective of official policy and popular desire from preparedness for war to the organization of peace had been half-hearted and ambiguous. On the one hand, the experts were being instructed to consider how the organization of peace might be rendered most efficient, from a technical standpoint, against a potential peace-breaker, on the assumption that an effective organization of peace was now the genuine objective of the statesmen. But at the same time, each national group of experts was still being instructed to consider, in narrowly national terms, how a reduction of armaments could be arranged with the minimum diminution of their own

country's war-power in the event of the statesmen agreeing upon a substantial reduction of national forces. The experts would have been more open to criticism if the statesmen had given them a clearer and sincerer lead.¹

In any case, the proceedings of the technical committees at Geneva in 1932 threw a lurid light upon the great gulf that was fixed between the spontaneous proclivities of the public and the professional practice of the experts on this crucial issue of war and peace, without giving any indication of ways and means by which the gulf might be bridged. The gap was alarmingly wide, even in the case of those countries in which the responsible parliamentary system of government was the longest and the most effectively established, and in which the desires of the public might, therefore, have been expected, *a priori*, to find the greatest measure of fulfilment in the actions of the public servants. A measure of the degree of this non-correspondence, even in the most favourable circumstances, is given by the official policy of the Government of the United Kingdom in regard to tanks²—a policy which presumably embodied the professional advice of the British experts, but which assuredly did not reflect the wishes of the British public as these were manifested at the time.

Thus, in the year 1932, the hindrance which national elections were placing in the way of the conduct of human affairs was not being effectively compensated for by the translation of public desires into governmental action which these elections were supposed, in constitutional theory, to secure.

By the time when the General Commission of the Disarmament Conference reassembled for a further session on the 25th April, 1933, the impediment of incessant local elections seemed likely to be diminished for the future. For in Germany, where Herr von Papen's ephemeral 'Government of Barons' had quickly been superseded and consigned to oblivion by Herr Hitler's National-Socialist Revolution, the elections of the 5th March, 1933, seemed likely to be the last that would be held—or, at any rate, the last that would be more than mere formalities—for many years to come; and even in the

¹ The unsatisfactoriness of the relations between the experts and the statesmen was accentuated by the non-continuity of personnel in the political delegations from some of the leading countries. While the Germans did their best to counteract the unsettling effect of successive changes of régime at Berlin by retaining the same professional delegate at Geneva, there were other countries which wantonly cancelled the benefit of continuity of administration at home by a perpetual flux in the personnel of their Geneva delegations. The Italian delegation suffered from this kind of flux, after the recall of Signor Grandi, and the United Kingdom delegation before the duty of continuous leadership at Geneva was taken over by Mr. Eden. ² See pp. 228, 244–5, 285 below.

United States the Federal Congress at Washington was displaying an unprecedented and almost uncanny desire to 'cease from troubling'—at any rate, for a season—and was giving practical proof of its good faith by voting temporary dictatorial powers to President Roosevelt. In fact, in a number of great countries in Europe, in the Overseas World and in the Far East, Democracy was either voluntarily abdicating or was being forcibly dethroned. Germany, at any rate, was following the example of Japan in going the way of Italy. Yet this dismissal of a Democracy which had failed to perform its function was not at all calculated to promote the performance of this function in any more effective alternative way. For the *raison d'être* of Democracy was to give practical effect to public opinion; and in Germany, as in Japan, the new régime, so far from embodying the will to peace which manifestly informed the spontaneous public opinion of Mankind, was animated by a resurgent nationalism which was so violent and narrow-hearted and intellectually halt and maimed that it appeared to represent a closer approximation to the *éthos* of a primitive tribalism than any political movement that had arisen in the Western World since the end of the Wars of Religion.

It is true that a grain of comfort could be extracted from the history of Fascist Italy, who was the pioneer in this latter-day Western neo-tribalism. For, in spite of the Ishmaelitic political philosophy of the Fascist State *vis-à-vis* its neighbours, and the sometimes alarmingly bellicose utterances in which the Duce had given public expression to this philosophy (especially, but not solely, in the earlier days of his régime),¹ the foreign policy of Fascist Italy had first of all shown itself unexpectedly conciliatory in its local dealings with Jugoslavia² and had afterwards worked consistently and patiently for disarmament, in the wider field of world affairs, since Signor Mussolini's historic speech of the 5th June, 1928.³ At the moment of Herr Hitler's May Day speech of 1933 it was still not impossible that in this, as in many other, respects the new German exponent of neo-tribalism might tread in the footprints of his great Italian predecessor. Yet, when this is said, it still cannot be denied that this series of anti-democratic revolutions in Italy, Japan and Germany was ominous for the prospects of the World Disarmament Conference in particular and even for the prospects of the Western attempt at Civilization in general.

¹ See the *Survey for 1927*, Part II B, section (i); the *Survey for 1930*, pp. 16–22.

² See the *Survey for 1924*, Part II B, section (iii); the *Survey for 1926*, pp. 161–5.

³ Text in *Documents on International Affairs*, 1928, pp. 52, 124–48.

These revolutions were ominous because they had all occurred in countries which ranked as 'Great Powers' and because their makers all deliberately emphasized and glorified precisely those elements in the traditional conception of 'a Great Power' which were most dangerously and shockingly anti-social.

The whole conception of 'a Great Power' was an exaggeration of the notion of national self-government and national self-determination—an exaggeration which had been carried to such lengths that it had perverted a reasonable and wholesome principle into a subversive mania. While the notion of national independence was simply a translation of the precept 'Live and let live' into the political terms of a multi-national world, the conception of 'a Great Power' amounted to a pretension that any nation which possessed sufficient armed force had the right to employ this power in turning the world upside down at its own sovereign pleasure without consideration for the rights of its weaker neighbours or for the general interests of the Great Society of which it, like them, was a member.

This pretension had clashed sensationally with the social conscience of Mankind in the General War of 1914–18, and the victory of the social sense over the anti-social revolt against it, in this particular bout of the secular struggle between Light and Darkness, had been registered in the Covenant of the League of Nations and thereafter in the Kellogg-Briand Pact. In signing and ratifying these two great international instruments, the *ci-devant* Great Powers bound themselves solemnly to behave henceforth in international affairs as law-abiding members of society, with the same scrupulous observance of the law as they would have shown if they had not possessed sufficient armed force to defy the law if they chose. At the time when they were transacted, these notable acts of renunciation on the part of the Great Powers seemed likely, on the whole, to be carried out in good faith, because the promptings of many millions of human consciences were manifestly reinforced, in this case, by considerations of enlightened self-interest which were likely to appeal to these inhuman leviathans with greater force.

These considerations were none other than the obvious lessons of the great war which had just been fought. One lesson was that, in any trial of strength, the strong man armed must incur a very heavy risk of meeting a stronger than himself. In this latest ordeal by battle, the mighty German Samson¹ had been finally borne to earth and shorn of his strength and fast bound in misery and in iron. A still more remarkable lesson of the General War of 1914–18 was

¹ See the *Survey for 1930*, p. 3.

that, in a struggle in which several 'Great Powers' received knock-out blows from their peers, the little peoples miraculously survived. In the war of 1914-18 it was not Belgium or Serbia, but the Hapsburg monarchy that was wiped off the political map. Indeed, while the Hapsburg monarchy was destroyed and while two other 'Great Powers'—Germany and Russia—were mutilated and stunned, two of the smaller belligerents—Serbia and Rumania—actually doubled or trebled their territories and populations, while other small peoples, like the Poles and the Czechs, who had been partitioned between the surrounding 'Great Powers' and had been deprived of their political existence for generations, or even for centuries, now recovered their political unity and independence again. Moreover, the War of 1914-18 had made it obvious that, under latter-day social and technical conditions, any nation, great or small, which was fortunate enough to survive political destruction in a General War was inexorably doomed to be economically ruined by a convulsion which could not fail to play havoc with the delicate and complicated fabric of an industrialized body-social. On the morrow of the General War of 1914-18, these salutary lessons seemed well within the capacity of 'the little wisdom with which the world is governed'; and, on this showing, the expectation that the Great Powers would honour their bonds in the League Covenant and the Kellogg Pact seemed to be a reasonable postulate for practical statesmanship and not just an illusion of visionary idealists without experience of how things really work.

This rational and comforting assumption that the 'Great Powers' themselves had recognized themselves to be anachronisms was successively impugned by the Fascist Revolution in Italy and by the Militarist Revolution in Japan and by the National-Socialist Revolution in Germany; and the German portent, which declared itself at the turn of the years 1932 and 1933, was perhaps the most disconcerting of the three, because Imperial Germany, after all, had been the actual *corpus vile* upon which the vulnerability of the greatest of 'Great Powers' in the ultra-modern world had been demonstrated experimentally only fifteen years before. This ominous reversion, in three great countries, to a dangerously anachronistic point of view and state of mind produced a profound discouragement and misgiving in politically cultivated circles throughout the World, with little distinction of country or party or class. The grief was perhaps keenest in those 'internationally-minded' circles in Italy, Japan and Germany whose leading spirits were ruthlessly repressed by main force. There was a kindred feeling among the corresponding circles

in the bodies-politic of 'Great Powers' like France, the United Kingdom and the United States, in which the lethal effect of the traditional 'Great Power' behaviour under latter-day conditions had been more or less clearly recognized. But the main chorus of opposition came, as was to be expected, from that class of countries, ranking below the status of Great Powers, which accounted for fifty-nine out of sixty-six fully self governing states on the political map of the world in 1932.

The peoples of the small countries had certainly the fullest right to view the recrudescence of the 'Great Power' idea with alarm and indignation; for in the Western World, within living memory, there were a formidable number of occasions on which Great Powers had made use of their superiority in armed force in order to coerce small countries, outside all process of law, by shedding blood and destroying property in ways which the conscience of the selfsame society would have condemned as criminal in the private relations between the same individual human beings. Leaving aside all those numerous acts of coercion, exercised in recent times by Western 'Great Powers' against communities of alien or inferior civilization, which can be classified euphemistically as 'colonial wars', and confining our attention to cases in which the small victim and the great aggressor were fellow members of the Western 'comity of nations', we may recite the attack upon Denmark by Prussia and Austria in 1864, resulting in the forcible separation from Denmark of the whole of Slesvig as well as Holstein; the Spanish-American War of 1898, which resulted in the annexation of the Philippines and Porto Rico by the United States, as well as in the liberation of Cuba; the conquest and annexation of the two South African Dutch Republics by the British Empire in the South African War of 1899-1902; and a whole crop of similar acts of violence in the General War of 1914-18: the German invasion and occupation of Belgium in reply to Belgium's refusal to betray her own neutrality; the Austro-German invasion and occupation of Serbia which eventually followed the Austrian ultimatum; and the partial occupation and thoroughgoing coercion of Greece by the armies and navies of the Principal Allied Powers.

On this showing, it was not unreasonable for the peoples of the small countries to look upon 'the Great Powers' as the black sheep in the international fold. And, indeed, the proposition that if there were no 'Great Powers' in the world there would be no danger to the peace of the world was a thesis which could hardly have been contested, in 1932, by any impartial student of public affairs.¹ From

¹ There would, of course, have been the same danger as before of local

the standpoint of the overwhelming majority of peoples and countries, the World would have been a safer and happier place to live in if the Disarmament Chapter of the Versailles Treaty, which was then still in force against Germany, had been equally in force against Japan, Italy, France, the United Kingdom, the U.S.A. and the U.S.S.R.; and the Governments—and perhaps even the war-experts—of these smaller countries, as well as their peoples, were alike indignant at the Japanese Army's lawless attack upon China, and alike alarmed by the movement in Germany to re-arm, and alike concerned at the reluctance of the other 'Great Powers' to reduce their own armaments—a reluctance which gave Germany her specious claim, as well as her strong desire, to be released, on her part, from the disarmament provisions of the Treaty of Versailles.

This was the light in which 'the Great Powers' appeared in the eyes of the peoples of the small countries in the year 1932; but that picture was grotesquely different from the vision in which 'the Great Powers' were mirrored to themselves in the mind's eye of their own war-experts and statesmen. The men who were directing the policies of 'the Great Powers' at this time regarded themselves as the policemen of the International Society and claimed a decisive voice in the management of international affairs on the ground that when there was a breach of the peace the responsibility for restoring order, with its incidental risk to life and limb, would fall upon their shoulders alone. It apparently escaped their attention that no serious breach of the peace could possibly occur unless one or more of the seven Great Powers were among the peace-breakers, and that if the criminals as well as the policemen had to be drawn from the same small panel of seven, there was at least one chance in seven that, in any breach of the peace, they themselves would be playing the criminal's instead of the policeman's rôle. This rather obvious consideration was ever present in the minds of the peoples, statesmen and war-experts of the small countries; and they found it intensely irritating that 'the Great Powers' should base their claim to a bandit's licence on the ground that they deserved a gendarme's privileges.

conflicts between small countries in backward regions: e.g. in Latin-America or in Eastern Europe. The Great Powers were not responsible for the conflicts between Bolivia and Paraguay and between Colombia and Peru which were in progress while the World Disarmament Conference was in session. Nor had they been responsible for the Graeco-Bulgarian conflict in 1925. On the other hand experience had shown that such local conflicts between small countries did not endanger the peace of the world and were not insoluble by the methods of the post-war 'collective system' of maintaining international law and order—always provided that none of the Great Powers began to fish in the troubled waters.

It will be seen that there were all the makings of a serious misunderstanding between the seven 'Great Powers' of the one part and the fifty-nine fully self-governing countries of lesser martial calibre of the other; and this misunderstanding showed itself repeatedly, in the course of the year 1932, both in the discussions at the World Disarmament Conference and in the handling of the Sino-Japanese conflict at Geneva.¹ Indeed, the open division of the states of the world into these two mutually antipathetic groups was one of the outstanding features in the international history of this year.

This division by calibre cut across the other division by interest between the ex-victorious and ex-vanquished Continental European belligerents in the General War of 1914-18—a division in which one heavily-armed Great Power, France, stood at the head of a group of satellite 'successor-states' (Poland, Czechoslovakia, Jugoslavia, Rumania), while on the other side one unilaterally disarmed Great Power, Germany, supported by one unsatisfied Great Power, Italy, was in agreement with three lesser defeated countries (Austria, Hungary, Bulgaria) in her desire to secure the revision of the territorial as well as the military and financial chapters of the four European Peace Treaties. The policy of the lesser states in both these two opposing Continental European groups fluctuated between the promptings of their 'class-feeling' as non-Great Powers and the dictates of their particular interests as 'successor states' in the one case and as invidiously penalized states in the other. The point of view of the lesser states, as such, was represented at Geneva most characteristically and most consistently by the lesser Continental European states which had been neutrals in the late war. But it is noteworthy that two of the lesser states in the French group—that is, Czechoslovakia and Belgium—joined the eight-state group (consisting, besides these two, of the three Scandinavian countries, the Netherlands, Spain and Switzerland) which was organized in the course of the Disarmament Conference by the Spanish delegate, Señor de Madariaga, for the express purpose of combating the tendency on the part of the Great Powers to take the business of the Conference out of the Conference's hands and to deal with the most delicate and intractable of the problems 'on the fringe of the Conference', in private conversations in which only the Great Powers—and sometimes only France, Germany and the United Kingdom—were participants.²

¹ For the revolt of the smaller countries against the 'Great Powers' at the Disarmament Conference, see pp. 235, 248-9, 268 *n.*, 300 below. For the rift between the smaller countries and the 'Great Powers' over the handling of the Sino-Japanese conflict, see the *Survey for 1931*, pp. 502-5, and pp. 517, 575-7 below.

² For Señor de Madariaga's eight-state group, see p. 248 below.

As will appear from the following narrative, neither these informal discussions within an inner circle nor the formal public plenary sittings of the Conference itself and its committees were of much effect, in the first chapter of the Conference's history, in expediting the work for which the Conference had been convened after so many years of preparation. Yet it would give an incomplete picture of the situation to place on record the statesmen's and the experts' ill-success without at the same time recalling the particular as well as the general difficulties under which it was their misfortune to be working. Apart from the unusual plethora of local elections, referred to already, which distinguished the year 1932, the Conference met and worked under the sinister shadow of the Sino-Japanese conflict—a trouble which had neither broken out nor been foreseen at the time, necessarily long in advance, at which the opening date of the Conference had been fixed.¹ The almost melodramatic fashion in which this trouble in the Far East broke in upon the proceedings of the Conference on the actual opening day is recorded elsewhere.² Then, again, there was the secular Continental European trouble of the hostility between Germany and France. The unfortunate coincidence that Monsieur Herriot's return to power was just anticipated by Dr. Brüning's fall deprived the Conference, as has been pointed out above, of the inestimable and perhaps indispensable advantage of having a moderate Government in office simultaneously in both countries. Without that conjuncture, there could be little hope of a Franco-German *détente*, not to speak of a Franco-German reconciliation. And, without some striking change in the moral and emotional relations of the two peoples with one another, it remained an almost insoluble problem to find a way out of the logical antithesis between the policies of the two Governments.

Logically, the French demand for security was virtually incompatible with the German claim to equality in armaments, since an inequality in armed strength was one of the elements of security as the French conceived it. Short of a change in the psychological relations between France and Germany themselves, a solution for the problem must continue to be sought in some form and degree of sanctions involving commitments on the part of the English-speaking Powers; and the experience of thirteen years had shown the immense difficulty of overcoming the inherited inhibitions and the practical objections which restrained both the British and the Americans from moving in this direction. There was, it is true, a perceptible relaxation

¹ See the *Survey for 1931*, pp. 10, 26.

² See section (ii) of this part, p. 194, and Part V, section (iii), p. 563 below.

of a previously rigid attitude in the United States in the course of the year 1932—a change which found authoritative official expression in Mr. Secretary Stimson's thesis of the obsolescence of the classic conception of neutrality.¹ This reorientation and clarification of American policy, as far as it went, was important because it promised to relieve Great Britain of her uncertainty in regard to the American attitude over 'the Freedom of the Seas'—an uncertainty which had notoriously disinclined successive British Governments, ever since the rejection of the Versailles Treaty by the United States Senate, from committing themselves in advance, beyond the minimum terms of the League Covenant, to placing British sea-power at the service of collective security.

While Mr. Stimson's speech of the 8th August, 1932, was not without its effect upon the subsequent course of French policy,² a more effective determinant of that policy in the autumn of 1932 seems to have been the growing alarm in France at the gathering momentum of the resurgent wave of militant nationalism in Germany. Under this influence, the French eventually conceded the principle of equality in armaments rather than see the Disarmament Conference brought to naught by a definitive refusal on Germany's part to resume her participation in the proceedings.³ It was a melancholy illustration of the contrariness of Human Nature that the French should have made in such untoward circumstances, so late in the day, a concession which might have transformed the whole spirit of Franco-German relations, and therewith the prospects of peace, if it had been made to a Stresemann or a Brüning instead of being made to a Papen and a Hitler. It was remarkable that the French actually did make this momentous concession without having obtained those additional British and American guarantees upon which they had been insisting, since the morrow of the Peace Conference, as a *sine quâ non*.⁴ They now sought consolation in the certainly more practical, and probably more efficacious, guarantee scheme of a permanent International Commission of Control over national armaments.⁵

The combination of the difficulties which have just been surveyed

¹ For the speech of the 8th August, 1932, in which this thesis was publicly propounded by Mr. Stimson, see pp. 271–3 below.

² See p. 273 below.

³ See pp. 286–9 below.

⁴ See the *History of the Peace Conference of Paris*, pp. 337–40; the *Survey for 1924*, Part I A, sections (i-v); the *Survey for 1925*, Vol. II, Part I A, sections (i-iii); the *Survey for 1930*, pp. 11–16; the *Survey for 1931*, pp. 282–5.

⁵ For the history of this fruitful idea, see the *Survey for 1927*, pp. 8, 17–18, 20; the *Survey for 1930*, pp. 116–17, 121, 123.

explains the disappointingly meagre results of the first year's work of the Disarmament Conference. Yet, all the time, an onlooker had the feeling that these difficulties might have been overcome, and these obstacles have been swept away, if at any moment the powerful and ubiquitous public opinion in favour of assuring peace had succeeded in gathering itself together and bringing all its latent strength to bear upon the sixty or seventy Governments in the national capitals and upon the representatives of those Governments at Geneva.

The momentous and urgent choice between getting rid of war and committing suicide by the perhaps unavoidable use, in any future war, of unprecedentedly destructive weapons was summed up and symbolized, in a shape which the simplest and least well-instructed lay mind could apprehend, in the new terror of aerial warfare—a terror which was of great political importance because it had undoubtedly caught the imagination of the masses and might conceivably stimulate their wills to mass-action if it were once to become apparent that the statesmen and the experts would not or could not exorcize this terror so long as they were left to their own devices.

This special anxiety with regard to aerial warfare, which was undoubtedly prevalent at the time, lends a special interest to two ventilations of opinion on the subject in the House of Commons at Westminster: first in a speech delivered by Mr. Baldwin on the 10th November, 1932, and afterwards in a debate on the Air Estimates for 1933 on the 14th March of the latter year.

Mr. Baldwin put his finger upon 'the constant fear not only of being killed themselves but, what is perhaps worse for a man, of seeing his wife and his children killed from the air', which now existed 'among the ordinary people throughout the whole of the civilized world', and he declared emphatically that this fear was justified by the facts.

It is well for the man in the street to realize that there is no power on earth that can protect him from being bombed. Whatever people may tell him, the bomber will always get through. . . . The only defence is offence. It means you would have to kill more civilians, more women and children, first, if you want to save yours from the enemy.

Mr. Baldwin went on to point out that the crux of the problem of aerial warfare was not the difficulty of securing the abolition of national military air-forces, but the difficulty of establishing some form of international control over civil aviation in order to prevent civil aircraft from being used for warlike purposes in the event of an outbreak of hostilities. Mr. Baldwin propounded no suggestions for

solving this problem, and his speech ended on a note of fatalism and impotence.

I do not think we have seen the last great war. . . . It is really for the young to decide. . . . The instrument is in their hands. . . . When the next war comes and when European civilization is wiped out, as it will be, and by no force more than by that force, then don't let them lay the blame on the old men. Let them remember that they principally, they alone, are responsible for the terrors that have fallen on the earth.

The debate of the 14th March turned nominally upon the speech in which the Air Estimates for the year were introduced that afternoon by Sir Philip Sassoon, but actually upon the speech which had been made in the same House by Mr. Baldwin four months before, since Sir Philip Sassoon, as almost every subsequent speaker on the 14th March, 1933, pointed out, had gracefully avoided touching upon the real issues.

One feature of this debate was a determined but unsuccessful attempt, on the part of certain speakers, to minimize the horrors which Mr. Baldwin had depicted.

It is ridiculous [said Lieutenant-Colonel Moore-Brabazon] to think, in these days, of the possibility that this great gift from God should be done away with and destroyed simply because it happens to be unpleasant during war. . . . It is unfortunate that we have the brand of Cain upon the aeroplane, but . . ., although a very intense aerial bombardment would be unpleasant, it really would not be so disastrous. . . .

Air warfare is very humane indeed [said Rear-Admiral Sueter]. Look at what is happening in Jehol. . . . People say: 'It is inhuman to drop bombs.' There is no difference between a bomb from an aeroplane and a six-inch shell from a ship. It is not considered inhuman to fire a shell from a ship.

One of the things about which I agreed with the hon. Member [said Sir Philip Sassoon in his reply] was the unfortunate appellation for the particular weapon which the aeroplane possesses. The word 'bombs' has a much more disagreeable sound than 'shells' and it has been the cause and originator of a great deal of confused thought on this particular problem.

These attempts to counteract the public impression which Mr. Baldwin's speech had made were interesting as indications that the real state of public feeling was exercising the minds of politicians of all persuasions; but, on the questions of fact, the pleas of all the speakers just quoted were blown to pieces by their friend Mr. Winston Churchill.

From the military point of view [said Mr. Churchill] it would not pay any Power engaged in an equal fight, with air-forces equal on both sides, to waste its strength upon non-combatants and open towns.

But this Machiavellian consolation was only dangled before the eyes of the civil population of the United Kingdom in the next war in order to be snatched away again like the cluster of grapes from the lips of Tantalus. For, having said so much,

I must [said Mr. Churchill] say this: While in the first instance in any conflict the air forces would fight and would not be able, if equally matched, to look elsewhere, yet once one side was decidedly beaten this process of torturing the civil population by killing the women and children might well be used in order to extort abject surrender and subjugation from the Power whose air defence had been broken down. That is true. Any one can see that that might be applied. If there were any Power in the world to which it might not be applied perhaps it would be our island, because so much easier methods would be open for reducing us to submission. If we were completely defenceless in the air, if we were reduced to a condition where we could not deal with this form of warfare, I doubt very much whether the victorious Power would be well advised to come and kill the women and children. I should have thought that by intercepting all the trade passing through the narrow seas and on the approaches to this island, they could employ the weapon of starvation which would probably lead to a peace on terms which they thought were desirable.

The extraordinary feature of Mr. Churchill's speech was not this racy realism, but the combination of it with the advocacy of an eighteenth-century British policy which had ceased to be practical politics upon the invention of steamships, almost a century before it had received its *coup de grâce* through the inventions of the submarine and the aeroplane. As a corrective to the 'helplessness and hopelessness' of Mr. Baldwin, Mr. Churchill confessed his

hope and trust that the French will look after their own safety and that we shall be permitted to live in our island without being again drawn into the perils of the Continent of Europe.

And he went on to advocate a strengthening of British armaments by air and upon the seas 'in order to make sure that we are still judges of our own fortunes, our own destinies and our own action'!

In the light of the technical conditions of warfare in the year 1932, it is hardly possible to conceive of any policy that could have been more visionary at that date than this eighteenth-century ideal of 'armed neutrality' and 'splendid isolation'. And another speaker in the same debate, Mr. E. Williams, made it clear that, under the new conditions, the national safety which could not longer be found in national armaments lay in solving the problem, which Mr. Baldwin had raised, of international control.

As all national barriers have been annihilated by aviation, aviation ought to become a matter of international control. If national barriers

do not prevent aviation crossing the world, obviously it is of itself, in factual truth, an international weapon, and it ought to come under international control. It ought to be used as an international weapon for policing the world, and not for defensive, which can be twisted into offensive, purposes that may be used to annihilate humanity.

This view came into a head-on collision with Rear-Admiral Sueter's view that 'we cannot give up our sovereign rights' and that 'it would be perfectly suicidal for us to do so'. But happily this was not the last word in the debate. The last word came—as 'the answer which Youth gives to the speech of the Lord President of the Council' (Mr. Baldwin)—from the mouth of Mr. Whiteside.

I believe [said the speaker] that if men and women are not prepared to turn and bow before a wisdom greater than the wisdom of this world, Civilization will inevitably be wiped out.

(ii) The World Disarmament Conference (February to December 1932)

The history of the Disarmament Conference down to the end of the year 1932 falls into two main phases. The first phase came to an end on the 23rd July, when the Conference adjourned after adopting a resolution summing up the results of its labours to date; in the second phase the Conference was virtually in a state of suspended animation, awaiting the outcome of negotiations between the Powers on the question of Germany's demand for equality of status.

The first phase of the Conference may again be subdivided into three periods. During the first period, which lasted from the 2nd February, 1932, until the 24th February, the Conference was in plenary session, and in the course of a general discussion, in which practically all the principal delegates to the Conference took part, numerous proposals were submitted for subsequent consideration. From this general discussion the idea of 'qualitative' disarmament emerged as a new and hopeful line of approach to the problems before the Conference; and during the next three months this idea was the subject of detailed examination, side by side with the continued discussion of the more familiar questions relative to 'quantitative' disarmament which had already been studied, at great length if not exhaustively, by the Preparatory Commission for the Disarmament Conference.¹ This second period of the first phase, during which the

¹ For the work of the Preparatory Commission, see the *Survey for 1927*, Part I, section (ii); the *Survey for 1928*, Part I A, section (ii); the *Survey for 1929*, Part I A, section (ii); the *Survey for 1930*, Part I, section (iv).

activities of the Conference were carried on by a series of committees and sub-committees, ended, at the beginning of June, with the failure of the experts to agree upon the definitions of 'aggressive' and 'defensive' armaments which were required before any substantial progress could be made with a scheme for qualitative disarmament. During this period, also, the representatives of the Great Powers embarked upon an attempt to prepare the way, by means of private conversations, for the handling by the Conference of certain intractable problems of a political nature, which the work of the Preparatory Commission had already shown to be inextricably bound up with the question of disarmament: the problems, that is, which were raised by the demand of France for additional guarantees of security as a condition of any reduction of armaments and by the simultaneous demand of Germany for the abolition of the inequality of status in armaments which had been imposed by the Versailles Treaty.

Informal negotiations were continued at intervals during the third period of the first phase of the Conference, in June and July, with the object of reconciling opposing points of view; but little progress could be recorded as a result either of these private conversations or of the more technical discussions which took place in the committees of the Conference. The principal landmark during this period was the announcement on the 22nd June of President Hoover's proposal for an all-round reduction of one-third in armaments. The third period of the first phase ended, as has been mentioned, on the 23rd July, when the Conference adjourned for a summer vacation, after it had adopted, by a majority vote (with Germany and the U.S.S.R. in the minority), a resolution which summed up the meagre results that had been achieved during nearly six months' work and enumerated the few points on which general agreement could be said to have been reached. Thereafter, until the end of the year, the Conference was merely marking time, while the statesmen were attempting to find a way out of the deadlock which had been created by the refusal of the German Government to continue their participation in the Conference until their claim to equality of status had been recognized by other Great Powers. During this phase, however, a number of new proposals were submitted to the Conference—the most notable being a revised French plan for the organization of peace which was made public in November. It was not until the 11th December that agreement was finally reached between the Great Powers on a formula which was acceptable to both France and Germany and which made it possible for a German delegation to return to the Conference; and the full activities of the Conference

were not resumed until the end of January 1933—a date which falls outside the period covered by the present volume.

(a) THE GENERAL DISCUSSION (2ND–24TH FEBRUARY, 1932)

The first plenary session of the Conference for the Reduction and Limitation of Armaments began at 4.30 p.m. on the 2nd February, 1932. The session had been arranged for 3.30, but at the last moment it was postponed for an hour in order to allow of an emergency meeting of the League Council, which had been summoned to deal with the extremely critical situation at Shanghai.¹ The Conference, which was recognized to be the most important international gathering since the Peace Conference of Paris, was attended by the accredited representatives of fifty-nine countries²—‘the chosen spokesmen of seventeen hundred million people’—and ‘never before’ had ‘there been so powerful or so impressive a list of Ministers of State’³ as were included in the delegations.

The Conference was opened by the President, Mr. Arthur Henderson, who had been chosen to fill that post in May 1931, at a time when he was the British Foreign Minister, but who now had no official connexion with the British Government. In his opening speech Mr. Henderson reviewed the attempts which had been made since the peace settlement, both inside and outside the framework of the League of Nations, to deal with the problems of disarmament and security, and he gave a brief description of the draft convention which was the fruit of the protracted labours of the Commission that had been appointed in 1925 to prepare for the first World Conference on Disarmament. He did not omit some reference to the two out-

¹ See the present volume, Part V, section (iii).

² Abyssinia, Afghanistan, Albania, the Argentine Republic, Australia, Austria, Belgium, Bolivia, Brazil, Bulgaria, Canada, Chile, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Guatemala, Haiti, Hijāz-Najd, Honduras, Hungary, India, the Irish Free State, Italy, Japan, Jugoslavia, Latvia, Liberia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Panamá, Persia, Peru, Poland, Portugal, Rumania, Siam, Spain, Sweden, Switzerland, Turkey, Union of South Africa, Union of Soviet Socialist Republics, the United Kingdom, United States of America, Uruguay, Venezuela.

Sixty-four states altogether had been invited to send representatives to the Conference, and, of the five states which do not figure in the above list, one (the Dominican Republic) sent an observer to Geneva who was subsequently accredited as a delegate. The four states which were not represented at all were Ecuador, Nicaragua, Paraguay and Salvador. The Government of ‘Irāq were invited to send representatives to the Conference after ‘Irāq had been admitted to membership of the League on the 3rd October, 1932.

³ Mr. Arthur Henderson, in his opening speech as President of the Conference.

standing aspects of the international situation which could not fail to affect, for good or for evil, the course and outcome of the Disarmament Conference. At the beginning of his speech he referred to 'the tragic fact that at the moment when this Conference, the very purpose of which is to take further steps towards the maintenance of peace, begins its work, we are confronted with a situation of such extreme gravity as that which now exists in the Far East'. Later on he reminded the Conference 'that the problem of disarmament is vitally relevant to the grave economic and financial crisis for which most nations are at the moment trying to find a solution'; and he illustrated this general statement by referring to a figure which had been worked out by the League Secretariat 'as representing an average of the military expenditure of sixty-one countries during the last four years'—a figure which reached 'the immense sum of 4,000 million dollars a year'.

At the conclusion of Mr. Henderson's speech, the Conference turned its attention to the necessary task of setting up the machinery by means of which it would function, and during the next few days three committees were engaged respectively in examining the credentials of delegates, in drawing up rules of procedure for the Conference, and in examining the very numerous petitions in favour of radical measures of disarmament which had been received from private sources. These petitions and manifestoes, some of which bore thousands of signatures,¹ emanated, for the most part, from organizations which fell into five groups: women's associations, students' organizations, religious groups, League of Nations societies, and Labour organizations. It was arranged that representatives of each of these five groups should address a special plenary session of the Conference, at which the petitions would be formally submitted.

This session, which was held on the 6th February, was an impressive ceremony. The speakers included Viscount Cecil of Chelwood, who represented the International Federation of League of Nations Societies, and who submitted for the consideration of the Conference a concrete programme of disarmament² which had been approved at the annual meeting of the Federation at Budapest in 1931. The outstanding speech of the day was made by Monsieur Emile Vandervelde, the Belgian Socialist leader, who represented organized Labour.

¹ A total of over five and a half million signatures had been affixed to a petition which had been organized by various women's associations. Over 2,000,000 of the signatories were of British nationality.

² The programme included proposals for 'qualitative' disarmament, that is, for the abolition of ships over 10,000 tons, submarines, large guns and tanks, and military aircraft.

Monsieur Vandervelde pleaded that 'the Governments represented at the Conference should now take action and conclude a convention which shall at once ensure a mass reduction of effectives and material and military expenditure, thus bringing about without delay world disarmament, total disarmament, subject to control'. He lent weight to his plea by solemnly declaring that if competition in armaments were to continue and were to produce 'its inevitable consequences' in the shape of another war, 'the Socialist workers of all countries' were 'firmly determined, if not to throw away their arms, at all events to refuse to turn them against one another'. At this special session of the Conference, the public opinion of the world was able to exercise a direct influence upon the delegates who were assembled at Geneva, and, although this opportunity did not occur again, the communications which continued to pour in upon the President and the Secretariat of the Conference during the next ten months provided sufficient indication of the profound anxiety and the growing impatience with which a vast public watched the slow progress at Geneva.

It was arranged that the general debate, in which all the delegations would have the opportunity of expressing their views, should not begin until the 8th February, and that Sir John Simon, the British Foreign Minister, should open the discussion. This arrangement was circumvented, however, by Monsieur André Tardieu, the French Minister for War and leader of the French delegation, who secured the tactical advantage of being the first in the field by presenting the proposals of the French delegation to the Conference on the 5th February¹ and issuing them simultaneously for publication by the press.

The French plan contained some startling proposals, but it did not depart in any important respect from the line which French policy in matters relating to security and disarmament had followed consistently since the time of the Peace Conference.² The main object

¹ The Conference had met in plenary session on that day for the election of fourteen Vice-Presidents who were to constitute the Bureau or 'Steering Committee' of the Conference, together with Mr. Henderson as President, and Monsieur Motta, the President of the Swiss Confederation, who had been elected Honorary President of the Conference at the opening session. The fourteen states whose representatives were elected as Vice-Presidents were (in the order of the votes cast for them) France, Italy, the United Kingdom, the United States of America, Germany, Sweden, Japan, Spain, the Argentine Republic, Belgium, the U.S.S.R., Czechoslovakia, Poland, and Austria.

² See an article in the *Bulletin of International News* for the 18th February, 1932, where it is pointed out that the Tardieu Plan was 'a development, suited to present conditions, of the plan published in 1919, when the French Government submitted to the Peace Conference its draft of a constitution for the

of France in 1932, as in 1919 and in subsequent years, was still the organization of a system of security which would remove from French minds the haunting fear of invasion; and the French Government were still as determined as ever that the establishment of a satisfactory system of security must precede any substantial reduction in French armaments.¹ By taking the initiative and making the French plan public before any other delegation had had time to produce alternative proposals, Monsieur Tardieu hoped, no doubt, to gain credit at home and at Geneva for being the first to present a 'constructive plan' to the Conference; and he may also have hoped that his manoeuvre would enable the French conception of 'security first' to dominate the discussions, at any rate until after the French parliamentary elections of May 1932, so that the more delicate question (from the French point of view) of sacrifices in armaments might be postponed until it could no longer affect the election campaign.²

The proposals of the French delegation can only be indicated here in a brief summary.³ They were divided under five heads: proposals to place civil aviation and bombing aircraft at the disposal of the League of Nations; proposals to place certain material of land and naval forces at the disposal of the League; the creation of an

League of Nations'. For this 1919 plan see *The History of the Peace Conference of Paris*, vol. vi, pp. 452-3. The subsequent attempts of France to obtain additional guarantees of security and of other Powers to meet this demand have been recorded in previous volumes of this *Survey*: see the *Survey for 1924*, Part I A (the Anglo-French Pact; the Draft Treaty of Mutual Assistance; and the Geneva Protocol); the *Survey for 1925*, vol. ii, Part I (the Locarno Pact). The French demand for security before disarmament was one of the main threads running through the history of the Preparatory Commission for the Disarmament Conference and of the Committee on Arbitration and Security (see the reference already given in the footnote on p. 192 above).

¹ The unbending attitude of France in regard to the priority of security over disarmament had been revealed in a memorandum which the French Government had issued for publication on the 20th July, 1931, in reply to a questionnaire from the League of Nations (see the *Survey for 1931*, pp. 282-5, and *Documents on International Affairs*, 1931, pp. 43-7). On the 19th January, 1932, Monsieur Laval, the French Prime Minister, had told the Chamber of Deputies in explicit terms that the policy which had been defined in the memorandum of July 1931 remained the policy of the Government.

² For the effect of parliamentary and presidential elections upon the course of the Conference see pp. 176-7 above. While the Tardieu Plan was undoubtedly in part an electoral move, designed to cut the ground from under the feet of the French Left parties, it did also, as has been mentioned, genuinely represent the consistent trend of French policy.

³ The text was published, in French and English, as Conference Document No. 56, and was reproduced on pp. 113-16 of the collected documents (*League of Nations: Conference for the Reduction and Limitation of Armaments: Conference Documents*, vol. i, Geneva, 1932). The full text was also printed in *Le Temps*, 7th February, 1932, and in *L'Europe Nouvelle*, 27th February, 1932.

international force; the protection of civilian populations; and conditions for the organization of peace. In the first section, which dealt with the 'war arm whose character is the most specifically offensive and the most threatening to civilians', it was suggested that states should remain free to construct and use non-military aircraft of a tonnage below a figure which would be fixed by agreement, but that the possession of civilian aircraft above that tonnage (that is, of aircraft capable of military use) should be confined to continental, inter-continental, and inter-colonial organizations under the auspices of the League of Nations. In the case of military aircraft states would similarly be allowed to retain and build small machines below a certain tonnage, and the possession of aircraft of a medium size would also be permitted to states which undertook to place them at the disposal of the League 'in the eventuality of the application of Article 16 of the Covenant'; but all heavy bombing machines would be set aside for the constitution of an international military air force under the command of the League of Nations. A state which suffered from an air bombardment, however, would be entitled, on the sole condition of notifying the League, to use all its aircraft, whether ear-marked for the League or not, in reply to 'this flagrant act of aggression'. Similar conditions would apply in the case of certain categories of land and naval material. Heavy long-range artillery, capital ships carrying guns exceeding 8 inches or of a tonnage exceeding 10,000 tons, and submarines above a tonnage to be fixed might be retained only by Powers which undertook to place them at the disposal of the League, and those Powers would have the right to use such armaments for their own defence against aggression.

In the third section of the French plan, the creation of a permanent international police force was proposed. This force would consist of contingents furnished by each of the contracting parties, in a proportion to be determined, under the command of the League, and its function would be to occupy areas where a threat of war had arisen and to contribute to 'conservatory measures'. In addition, it was suggested that each contracting party should undertake to contribute 'a first contingent of coercionary forces to repress war and to bring immediate assistance to any state victim of aggression'. In regard to the protection of civilian populations, the plan suggested the prohibition of the use of incendiary projectiles and projectiles containing poison gases or bacteria, and also the prohibition of bombardment from the air except within a given distance from the front line.

Finally, in the section relative to 'conditions for the organization

of peace', the French Government pointed out that the Disarmament Conference offered 'the best opportunity that has ever occurred to make a definite choice between a League of Nations possessing executive authority and a League of Nations paralysed by the uncompromising attitude of national sovereignty. France has made her choice. She suggests that the other nations should make theirs.' Certain measures were indicated without which the proposals already outlined 'would be ineffective and even unthinkable'. These measures, in regard to which the French delegation reserved the right to make concrete proposals, included 'compulsory arbitration; definition of the aggressor; guarantees as to the rapidity of the decision of the authority controlling the international force; the bringing of the action of that authority into conformity with international law . . .; and the international control of the execution of all agreements concerning armaments'.

The publication of these proposals on the 5th February caused something of a sensation at Geneva, and in the interval before the general discussion began on the 8th February there was time for the attitude of other Powers towards the French plan to become fairly clear. France could count on a considerable measure of support from her East European allies, who were no less anxious than she was for the establishment of a system of security which would guarantee the permanence of the territorial provisions of the peace settlement; and certain of the details of the plan—such as the proposed abolition of incendiary and chemical warfare and the restriction on air bombardment—would no doubt be received sympathetically in other quarters as well. The internationalization of civil aviation also had its advocates, but, so far as the scheme as a whole was concerned, it was so much at variance with the sentiments expressed by other countries during the work of preparation for the Conference, and it bore so little relation to the international situation of the moment,¹ that there was small prospect of its meeting with general approval.

The French plan aroused a storm of opposition in Germany, where it was condemned as a manoeuvre to perpetuate French domination in Europe at the expense of Germany and other countries which were

¹ The French might argue, of course, that if the armed League of Nations which they envisaged had been in existence when the Sino-Japanese dispute had arisen the course of events might have been very different; but the majority of the delegates at Geneva would probably feel disinclined, in the light of what had happened in the Far East, to transform the League in a manner which would commit its members to more effective action than was involved in membership already.

discontented with their post-war status.¹ It was obviously not likely to commend itself to Powers such as the United States of America and the British Empire, which had consistently set their faces, in previous discussions of the question of disarmament and security, against any extension of the system of sanctions; and it was an additional argument against it in British eyes that it presupposed a system in which the United States would have no part, while the British Navy would be at the disposal of the League of Nations. The plan was coldly received in the press both of Great Britain and of the United States, and Sir John Simon only referred to it in passing when he opened the discussion in the plenary session of the Conference on the 8th February.

Sir John Simon did not submit written proposals to the Conference, but he indicated the general lines of the policy which the British Government were prepared to recommend. In the first place, he drew a distinction between the two methods of limiting armaments which came to be known respectively as 'quantitative' and 'qualitative': the first, 'the method of fixing maximum limits beyond which we severally bind ourselves not to go'; the second, 'the method of excluding by international agreement from use in warfare certain defined instruments or methods'. Both these methods of treatment were advocated by the British Government, and both were embodied in the draft Disarmament Convention which was the product of the work of the Preparatory Commission, and which the British delegation was prepared to take as the basis of discussion. In regard to the quantitative method, Sir John Simon suggested that 'the maxima fixed for an individual state should be its permitted limit', since this method would 'tend to reduce the figure better than by first asking each state to fix a named limit, and then allowing it to arm up to a percentage of that limit'. In regard to the qualitative method, the British delegation would recommend that special attention should be paid to those armaments the prohibition or limitation of which would weaken the power of attack and thus remove temptation to aggression. In this connexion, Sir John Simon suggested that the weapons and methods which might be outlawed would be found principally among the more recent developments, and he cited in particular 'the use of gas, of submarines, of bombing from the air'.

The British delegation advocated the establishment of a Per-

¹ This view was shared by the Chairman of the Foreign Relations Committee of the United States Senate. Senator Borah was reported to have expressed the opinion that the French plan was 'an attempt to fasten the strait-jacket upon Europe' by maintaining the Peace Treaties by force.

manent Disarmament Commission. In regard to naval armaments, the delegation was ready to co-operate in any method of agreed reduction in the size of warships and maximum gun calibre, and it would continue to advocate the abolition of submarines; but in general it believed that the Conference would find it well to accept the work of the Washington and London Conferences, and to frame the general Disarmament Convention on the principle that the agreements concluded at those Conferences would continue to operate. In regard to land armaments, it would agree to the prohibition of guns above a certain calibre. In regard to effectives, it recognized the controversial nature of the question of abolition of conscription, but it would seek, and urged others to seek, 'the most practicable course for limiting by agreement the numbers of effectives'.

Sir John Simon was followed by Monsieur Tardieu, who expounded the principles and policy underlying the proposals which had been circulated on the 5th February. The refrain of his speech was 'back to the Covenant'. As one of the statesmen who had helped to frame the Covenant of the League of Nations in 1919, Monsieur Tardieu declared his conviction that, during the past thirteen years, there had been a 'failure to extract from the Covenant all those practical results which, in the opinion and intention of its authors, it was capable of producing'. The object of the French delegation was 'to do constructive work on the basis of the Covenant instead of seeking new bases'. Their conception of disarmament was conditioned by their conception of the League of Nations, and they considered that 'as long as the League is without means to secure the execution of its decisions, it will always tend to shrink from taking decisions'. The question of disarmament did not bulk large in Monsieur Tardieu's speech, but he declared that France was prepared, 'in spite of the reductions in her armaments to which she' had 'voluntarily assented in the course of the last ten years . . . to become a party to an agreement binding her to limit her armaments for a stated period of years'. He pointed out that the French plan contained 'a series of proposals regarding those branches of national armaments which are at once the most powerful, the most useful in attack and the most ruthless from the point of view of the civilian population', and he promised that France would 'give favourable consideration to any other reduction of armaments that might be suggested', provided that the essential conditions of the French plan were accepted.

The speakers at the plenary session on the 9th February were Mr. Hugh Gibson, the leader of the American delegation, and Dr. Brüning, the Chancellor of the German Reich. The speeches of both

were awaited with interest and with a certain amount of anxiety. So far as the attitude of the Government at Washington had been made clear before the Conference opened, the indications were that the American delegation was not likely to take the lead at Geneva. President Hoover had pointed out on the 5th January, 1932, that the deliberations of the Conference 'would be of something less than primary interest' to the United States, since the Conference would be concerned largely with land armaments, and the land forces of the United States were already relatively smaller than those of any European Great Power. A fortnight later, on the eve of the departure of the American delegation, Mr. Stimson, the Secretary of State, was reported to have impressed upon the delegates the need of co-operation with other nations in order to make the Conference a success, while making it clear that the land forces of the United States could not be reduced below their present status. He was also said to have reminded them that the United States could not become entangled in the political problems of Europe through any security guarantees. In these circumstances, it appeared doubtful whether Mr. Gibson would have any constructive contribution to make, and those of the delegates to whom the priority of security over disarmament was an article of faith were apprehensive lest he should take what they would regard as an obstructive stand upon that question. These delegates therefore felt some relief when Mr. Gibson was heard to promise that the French plan, and any other concrete proposals which might be submitted to the Conference, would be examined by his Government 'with an open mind', and the definite proposals which he put forward in his turn were generally welcomed as a proof that the American delegation would not be content to play a purely passive part. These proposals were summarized by Mr. Gibson under nine heads:

(1) The American Government advocates consideration of the draft Convention as containing the outline of a convenient basis for discussion, while expressing its entire willingness to give full consideration to any supplementary proposals calculated to advance the ends we all seek.

(2) We suggest the possibility of prolonging the existing naval agreements, concluded at Washington and London, and we advocate completing the latter as soon as possible by the adherence of France and Italy.

(3) We advocate proportional reductions from the figures laid down in the Washington and London agreements on naval tonnage as soon as all parties to the Washington Agreement have entered this framework.

(4) We advocate, as we long have done, the total abolition of submarines.

(5) We will join in formulating the most effective measures to protect civilian populations against bombing from the air.

(6) We advocate the total abolition of lethal gases and bacteriological warfare.

(7) We advocate the computation of the numbers of the armed forces on the basis of the effectives necessary for the maintenance of internal order plus some suitable contingent for defence. The former are obviously impossible of reduction; the latter is a question of relativity.

(8) We agree in advocating special restrictions for tanks and heavy mobile guns: in other words, for those arms of a peculiarly offensive character.

(9) We are prepared to consider a limitation of expenditure on material as a complementary method to direct limitation, feeling that it may prove useful to prevent a qualitative race if and when quantitative limitation has been made effective.

It will be seen that these proposals followed similar lines to those outlined by Sir John Simon on the previous day, though in some respects they went rather further (for instance, in suggesting restrictions on tanks, which had not been mentioned in the British proposals). Like Sir John Simon, Mr. Gibson laid special stress on the 'qualitative' method. 'Since practically all the nations of the world', he said, 'have now pledged themselves not to wage aggressive war, we believe this Conference should and can successfully devote itself to the abolition of those weapons which are devoted primarily to aggressive war.' Perhaps the most interesting and suggestive passage of his speech was that in which he elaborated the seventh of his nine points, dividing the military forces of a state into two categories.

Every nation has not only the right but the obligation to its own people to maintain internal order. This obviously calls for an adequate military force for internal police work. Beyond and above this, there is the obligation of each Government to its people to maintain a sufficient increment of military strength to defend the national territory against aggression and invasion. We therefore have this formula dividing our military forces into two parts. Beyond this reasonable supplement to the police force we have taken an implicit obligation to restrict ourselves. Our problem is therefore to establish, by honest scrutiny and agreement, the margin that now exists beyond what is essential for the maintenance of internal order and the defence of our territories.

This thesis was elaborated in greater detail in proposals which were placed before the Conference by the American delegation at a later stage of the proceedings.¹

The speech of Dr. Brüning on the 9th February was also of a nature to allay anxiety. The attitude of the German Government, and indeed of the whole German people, on the questions which were before the Conference was, of course, well known. German delegates

¹ See pp. 240, 241 below.

to the Preparatory Commission and German spokesmen since the Commission had ended its labours had made it clear that Germany would not accept the Commission's draft Convention unless it were fundamentally modified, and that she intended to insist upon her right to equality of status with the other Great Powers in matters relating to disarmament and to security. It remained to be seen whether the German delegation at the Conference would take an intransigent attitude from the outset, or whether they would show a more conciliatory spirit than that which animated the German press. Dr. Brüning, as was to be expected from a statesman of his reputation,¹ chose the path of conciliation. He succeeded in putting the German case in non-provocative terms, and if his contribution to the discussion was of a rather negative kind, it was at least not obstructive.

My Government and people [said Dr. Brüning] ask that the disarmament of Germany shall be followed by general disarmament. Legally and morally Germany can claim that as an indisputable right. The German people looks to the present Conference to solve the problem of general disarmament on the basis of equal rights and equal security for all peoples. Our delegates have instructions to pursue this object to the utmost of their ability. Nevertheless, the German delegation cannot take the draft Convention, in the form prepared by the Preparatory Commission, as a basis for the Conference's practical work. This draft does not meet the needs of the moment. It is marred by certain omissions and passes in silence over essential points. The German delegation reserves its right to lay before the Conference proposals for remedying this defect.² To every proposal put forward the German delegation will

¹ Admiration for Dr. Brüning's personal character, as well as the sympathy felt by many delegates for the German case for equality, were revealed in the burst of applause which greeted him when he rose to speak. His reception was noticeably warmer than that accorded to any previous speaker.

² Concrete proposals for remedying defects in the Disarmament Convention were submitted to the Conference by Herr Nadolny, the leader of the German delegation, on the 18th February. The 'qualitative' and the 'quantitative' methods were both represented in these German proposals. It was suggested that certain 'weapons of offence' should be prohibited, and in this category were included not only heavy artillery and tanks and all classes of military aviation, but also 'fortresses which might constitute a direct menace to other nations'. The quantitative method would be applied to all other armaments, including stocks. 'The unqualified prohibition of the projection from aircraft of implements of war of all kinds' was advocated, but no provision was made for the control of civil aviation. In regard to effectives, the general abolition of compulsory service was recommended, and, failing this, the inclusion of trained reserves in the general limitation. The German delegation would be prepared to support the abolition of capital ships, aircraft carriers and submarines. If capital ships were to be retained it was suggested that they should not exceed 10,000 tons. In regard to the international control of disarmament, they asked that such control should be applied equally to all countries, and that it

be prepared to give impartial consideration; and every suggestion capable of leading, without further delay, to a real measure of effective disarmament is assured of our approval and support.

It was noticeable that Dr. Brüning did not reject the French plan outright, as the German press had rejected it, nor did he imply that Germany expected France to reduce her armaments immediately to the German level. While asking for the recognition of German equality in principle, he would apparently be satisfied so long as the Conference made a definite advance in the direction of levelling down armaments, and he did not even hint at the possibility that Germany might claim the right to re-arm herself if the other Great Powers failed to reduce their armaments.

On the 10th February, Signor Grandi, for Italy, and Mr. Matsudaira, for Japan, were the principal speakers. Signor Grandi began his speech by deprecating what he called 'the sophistry of disarmament'—the discussion of 'the theoretical question whether disarmament should precede security or be preceded by it'. Like other speakers he promised to study the French plan with all the necessary attention, but he indicated that his Government would see no point in considering any proposal for strengthening the organization of the League which did not at the same time ensure an effective reduction of armaments. He summed up the two fundamental points of Italian policy as 'equality of rights between all States and proportionate adjustment (*péréquation*) of armed forces at the lowest possible level', and he supported the German thesis that the military clauses of the Peace Treaties were intended to 'constitute the initiation of general disarmament' and not to place the states on which they were imposed 'in a permanent position of inferiority'. He agreed with Sir John Simon that the Conference could attain its object 'by the twofold system of quantitative limitation and qualitative limitation', but he laid special stress on the advantages of the second method, an example of the application of which was already available in Part V of the Peace Treaties, and he put forward concrete proposals for 'an organic plan of qualitative limitation' of the most far-reaching kind. These proposals comprised the simultaneous abolition of capital ships and submarines; the abolition of aircraft carriers, of heavy artillery of all kinds, of tanks of all kinds, of bombing aircraft, and of the

should be 'effectively supplemented by the limitation and control of the trade in arms and of their manufacture, both private and public'.

It will be seen that the intention of these German proposals was to obtain the equality of status which Germany demanded by applying to all countries the system which had been applied to Germany and her former allies by the Peace Treaties.

aggressive weapons of chemical and bacteriological warfare; and the revision of the laws of war with a view to ensuring more complete and effective protection of the civilian population.

In the light of what was happening in the Far East, a certain interest naturally attached to the views of the Japanese delegation, though it was hardly to be expected that Mr. Matsudaira would be able to contribute many new ideas to the common stock. He began by declaring that, 'notwithstanding the unfortunate situation in the Far East', Japan was 'as eager as ever to further the cause of disarmament'. He indicated that the Japanese Government would find difficulty in reducing either their land or their air forces, though the delegation was 'prepared carefully to study any workable proposition in regard to these armaments'. In regard to naval armaments, his proposals did not differ in substance from those which had been put forward by Japan at other international Conferences in recent years.¹ Mr. Matsudaira advocated a reduction in the size of capital ships and in the calibre of their guns, and also in the size of aircraft carriers. The Japanese delegation would be prepared to consider the possibility of abolishing aircraft carriers altogether—on the ground that 'their functions would be of the most aggressive nature, and their construction would involve tremendous cost'—subject to the simultaneous prohibition of the fitting of aircraft landing-platforms or decks on other vessels.² They were opposed to the abolition of submarines, though they would be glad to see an extension of the agreement regulating their use. They would approve of the prohibition of air bombardment and of the use of poison gas or bacteria.

With the conclusion of Mr. Matsudaira's speech, the Conference had heard the views of the six Powers whose policy was likely, in the long run, to determine the course of the Conference. The views of a seventh Power, the U.S.S.R., were also awaited with considerable interest, though the interest in this case was of an academic rather than a practical kind. The representatives of the Soviet Government on the Preparatory Commission had consistently advocated far more drastic measures than were considered practicable by other Powers, and although Monsieur Litvinov, when he made his contribution to the discussion on the 11th February, was more conciliatory in manner

¹ That is, at the abortive three-Power Naval Conference at Geneva in 1927, and at the London Naval Conference in 1930 (see the *Survey for 1927*, Part I, section (iv); and the *Survey for 1930*, Part I, section (ii)). Japan had not previously suggested the abolition of aircraft carriers.

² In written proposals which the Japanese delegation submitted on the 22nd February, they also advocated the limitation of arms and aircraft equipment on merchant vessels, which had been suggested by Spain.

than he had frequently been in the Preparatory Commission, his thesis remained the same. The Soviet Government still believed that security against war would only be obtained by means of total disarmament, and he dealt at some length with the French proposals in order to justify his conviction that they would not attain their object.

What [he asked] are the guarantees that a new international organization, or the existing one with increased actual power, will really be able or willing to use such power for the defence of the weaker, for the protection of the attacked against the attacker? . . . What are the guarantees that . . . an international army would not be exploited in the interests of some state which has won for itself a leading position in the international organization?

Failing acceptance of the proposal for total disarmament, the Soviet delegation was ready to discuss any proposals tending to reduce armaments, and Monsieur Litvinov reminded his hearers that the Soviet delegation at the Preparatory Commission had been the first to propose the 'complete destruction of the most aggressive types of armaments'. In the draft Convention for disarmament by stages which the delegation had submitted to the Commission in April 1928,¹ it had suggested the abolition of 'tanks and super-heavy long-range artillery; ships of upwards of 10,000 tons displacement; naval artillery of over 12 inches calibre; aircraft carriers; military dirigibles; heavy bombing-planes, all stock of air bombs, and any other means of destruction for use from aeroplanes; all means and apparatus for chemical, incendiary and bacteriological warfare'. All these proposals remained 'in full force for the present Conference'.

The general debate continued until the 24th February, and by that date fifty-one speakers had taken part in the discussion and nineteen written proposals had been submitted for consideration. Space does not allow of even the briefest summary of all these proposals,² and reference can only be made to a few points which were of special interest, or which were the subject of subsequent discussion. The Polish delegate, for instance, who spoke after Mr. Matsudaira on the 10th February, laid special emphasis on the necessity for 'moral disarmament',³ and on the 13th a Polish memorandum on this question was submitted, containing proposals for reforms in national

¹ See the *Survey for 1929*, pp. 23 *seqq.*

² A survey of all the suggestions made during the general discussion, with extracts from the speeches made and the texts of the written proposals, will be found on pages 93-144 of the *Conference Documents*, vol. i.

³ This idea had already been elaborated by the Polish Government in their memorandum of the 17th September, 1931, in reply to the *questionnaire* on armaments (see the *Survey for 1931*, Part II, section (v)).

legislation and for control over the press, over education, and over broadcasting, the cinematograph, and the stage. These suggestions were subsequently studied by a special committee of the Conference,¹ as was the question of control of the trade in, and manufacture of, arms² which was raised by two or three speakers—notably by Señor de Zulueta, the Spanish Foreign Minister, on the 12th February—and which was also included among the German proposals submitted on the 18th.³ Tevfik Rüstü Bey, the Turkish Foreign Minister, who spoke on the 15th February, reminded the Conference of a suggestion for the equalization of the peace-time forces of all states which he had made during the sixth session of the Preparatory Commission in 1929,⁴ and he laid before the Conference the draft of a convention which was designed to carry this idea into effect.

On the whole, the trend of the general discussion seemed to give grounds for a greater degree of optimism in regard to the prospects of the Disarmament Conference than had appeared justifiable at the outset, in view of the peculiarly unpropitious circumstances in which the Conference was taking place. Mr. Henderson was able to declare, when he brought the debate to an end on the 24th February, that the general discussion had ‘revealed . . . the existence . . . of a common desire—I might even say a resolute determination—to secure the greatest possible measure of success in the solution of the problems’ with which the Conference had to deal. It was significant that in spite of ‘the adverse circumstances’ under which the Conference began its work, ‘the declarations made by practically all the delegations’ had ‘created a more hopeful atmosphere’.

It was true that many of the detailed proposals which had been put forward for consideration by the Conference were open to the charge that they were more fitted, in some respects at least, to serve the special interests of their authors than to provide a basis for common agreement.⁵ This aspect of the French plan was too obvious to need emphasis, but another example may be taken from the field of naval armaments. The Governments of the United States and of Great Britain were well aware, as a result of their experience of

¹ See pp. 232, 236 *n.* below.

² See pp. 295–8 below.

³ See p. 204 above, footnote.

⁴ See the *Survey for 1929*, p. 24.

⁵ Señor de Madariaga summed up the situation not unfairly in the fable which he related to the General Commission on the 25th February, *à propos* of the Russian proposal for universal disarmament:

‘The animals had met to disarm. The lion, looking sideways at the eagle, said: “Wings must be abolished.” The eagle, looking at the bull, declared: “Horns must be abolished.” The bull, looking at the tiger, said: “Paws, and especially claws, must be abolished.” The bear in his turn said: “All arms must be abolished; all that is necessary is a universal embrace.”’

previous discussions, that the abolition of the submarine, which would suit their special needs very well, was entirely unacceptable to the smaller naval Powers under the existing conditions of relative naval strength; but, while the abolition of submarines figured on the programmes of both the American and the British delegation, neither delegation showed any disposition to make the sacrifices in its own naval strength which might induce the smaller Powers to abandon the submarine.

It was natural, of course, that each of the Governments represented at the Conference should bear its own national interests in mind; and, since the proposals which were formulated at the beginning of the Conference were likely to represent a maximum statement of national needs, rather than a minimum which was not open to subsequent modification, it might be considered a matter for congratulation that there appeared to be a considerable measure of common ground between the different delegations from the outset. This common ground was most noticeable in relation to the idea that armaments fell into two main groups, and that the first group, which comprised weapons of a specially 'offensive' or 'aggressive' kind, could and should be the subject of special regulation or limitation, if not of total prohibition.

This idea of qualitative disarmament was inherent in the French plan of the 5th February, with its proposal that certain categories of arms should be reserved for the use of the League of Nations, and indeed it may be said to have represented practically the only common factor between that plan and the other proposals which were laid before the Conference. The idea that the possession of 'aggressive' armaments should be forbidden was given definite shape in Sir John Simon's speech of the 8th February.¹ In the subsequent discussion seventeen speakers² signified their approval (though in many cases not without qualifications) of the principle of the creation of an international force which was embodied in the French plan; but the majority of these speakers also declared themselves in favour of the abolition of 'aggressive' weapons—thus indicating, presumably, that they would not support the French proposal for handing such

¹ See p. 200 above.

² The seventeen were the representatives of Belgium, China, Colombia, Czechoslovakia, Denmark, Egypt, Finland, Greece, Guatemala, Haiti, Jugoslavia, Latvia, Persia, Poland, Rumania, Switzerland, and Turkey. Those of the remaining speakers who referred to the French plan at all generally confined themselves to a promise to study it with due attention; but the Soviet representative, as has been mentioned, criticized it at length, and the representatives of three British Dominions (Canada, Australia and New Zealand) also made it clear that they would not accept the proposals.

weapons over to an international force. Altogether the representatives of over thirty states announced that they were prepared to accept the abolition of armaments of a specially aggressive kind, and the Italian, German and Soviet delegations all produced definite proposals for a substantial reduction of armaments by this method.

The possibility of qualitative disarmament, as such, had not been examined by the Preparatory Commission, and discussion on these lines seemed to offer a hope that some at least of the difficulties which had beset the path of the Preparatory Commission might be avoided. The idea of distinguishing between aggressive and defensive weapons was open to objections (it was sometimes suggested, for instance, that the prohibition of certain weapons or methods would be nothing but an attempt to 'humanize warfare', and that the uselessness of such attempts had been proved by the fate of The Hague Conventions during the war of 1914-18). But the idea appeared to have the great merit of relative simplicity, and it appealed strongly, for that reason, to the members of the lay public in all countries who were following the proceedings at Geneva with interest and anxiety.¹ Moreover, it had the advantage of having already been tried and proved feasible. For, as was pointed out during the discussion by more than one speaker,² the method of qualitative disarmament had been applied in the Chapters of the Peace Treaties which had imposed unilateral disarmament upon Germany and her former allies.

Certain other points upon which there appeared to be more or less general agreement were summarized by Mr. Henderson in his concluding speech. 'No fundamental objection' had been raised to the utilization of the Preparatory Commission's draft Convention 'as a framework for the discussions of the Conference'. 'The principle of an effective limitation of national armaments and the establishment of an efficient supervision' might 'be regarded as definitely accepted'. 'Chemical and bacteriological warfare' had 'met with universal condemnation'. It had been 'recognized that, whatever measure of reduction' might 'be contained in the Convention which was to be the outcome' of the Conference, 'those results should only be considered as a first step. No objection' had 'been raised to the principle of a permanent organization which' would 'supervise the proper

¹ In this connexion, it may be noted that the disarmament programme which was adopted by the International Federation of League of Nations Societies at its meeting in May 1932 at Budapest was very much on the lines of the Italian 'qualitative' proposals.

² For instance, by Signor Grandi and by Count Apponyi, the veteran Hungarian statesman.

functioning of the system of reduction and limitation of armaments and prepare the way for further progress'.

Mr. Henderson did not minimize the difficulties which the delegates would have to overcome, and he referred in particular to the fact that the Conference had been seized of two extremely far-reaching problems which would widen the scope of their discussions very considerably.

Not only has the question of the control of the manufacture of an international trade in arms and ammunition, which by the Covenant itself is considered as closely connected with the general problem of reduction and limitation, been put definitely before us; but the whole problem of security and the organization of the international community in the interests of peace has been set out very clearly as a corollary to disarmament.

Thus, although the Conference had entered upon its task 'in an excellent spirit', the delegates would do well to remember 'that only the very first beginning' had 'been effected. The work of the General Commission and of the various technical commissions' would 'be long and difficult'.

Subsequent events were to prove that there was more foundation for these forebodings of troubles to come than for the more optimistic note which had marked the greater part of Mr. Henderson's speech. It might be said, indeed, that, when once the general debate had ended, the prospects for a successful outcome of the Conference grew steadily less promising throughout the eleven months which constitute the period under review in this volume. From the 24th February onwards the difficulties in the way of agreement assumed ever larger proportions, and, while plans and proposals continued to multiply, the will to agree upon a definite programme of disarmament, which had been proclaimed with so much earnestness by speaker after speaker in the general debate, seemed to grow progressively weaker with the passage of time.

(b) THE COMMITTEES AND THE QUESTION OF QUALITATIVE DISARMAMENT (MARCH TO JUNE 1932)

With the conclusion of the general debate on the 24th February, the Conference entered upon a period in which the discussion of details by various committees was the order of the day, and in which rapid progress was therefore not to be expected. It was unfortunate that the difficulties and delays which inevitably attended the consideration of the more technical aspects of the problems before the Conference should have had their counterpart in the political field—largely as a result of circumstances which were not within the control

of the delegates. The General Commission¹ of the Conference had not had time to get into its stride when, on the 3rd March, many of the leading delegates to the Conference were called away to attend the special session of the League Assembly which had been summoned to deal with the Sino-Japanese dispute.² The Assembly remained in session until the 11th March, and the Disarmament Conference was therefore practically at a standstill for ten days. The General Commission resumed its labours thereafter only to decide that it could not usefully begin its discussion of questions of principle before the Conference adjourned on the 19th March for an Easter recess of three weeks' duration. Foremost among the questions of principle with which the Conference must deal were the problems which had been raised by the French memorandum on the organization of security and by the German demand for equality of status; but the difficulty of coming to grips with those problems was greatly increased by the uncertainty of the political situation in both Germany and France during the spring and early summer.

The German presidential election had been fixed for the 13th March, but as the result of the voting on that day did not give President von Hindenburg a sufficiently large majority over Herr Hitler, it was necessary that a second ballot should be held. The re-election of President Hindenburg in the second ballot on the 10th April was welcomed both in Paris and at Geneva as a certain guarantee of stability, but it could not destroy the effect of the large number of votes which had been cast for Herr Hitler in the presidential elections; and uneasiness on this score was increased by the Nazi gains in the elections for the Prussian Landtag on the 24th April.

In France, meanwhile, a political crisis had arisen while the Disarmament Conference was still in plenary session, and the fall of Monsieur Laval's Government on the 16th February had led to the departure for Paris of Monsieur Tardieu and the other principal French delegates. By the 24th February, however, Monsieur Tardieu was back in Geneva, this time as the head of the French Government. The French parliamentary elections were due to take place in the first week of May, and the policy of the French delegation during the intervening period was determined largely by electioneering considerations. Monsieur Tardieu's endeavours to secure an early discussion of the French plan of the 5th February met with no success, and the attitude of other delegations, who preferred to await the

¹ The General Commission, which consisted of one representative of each delegation, had been set up by a resolution adopted in the plenary session on the 8th February. ² See the present volume, Part V, section (iv) (c) (2).

outcome of the French elections before committing themselves on the subject of Monsieur Tardieu's proposals, was justified by the event. The elections resulted in a marked swing to the Left, and were followed immediately by the resignation of the Tardieu Cabinet; but it was not until the 4th June that a new Government was formed by Monsieur Herriot.

Unfortunately these political developments in France were accompanied by a simultaneous movement in the opposite direction in Germany. The resignation of Dr. Brüning's Cabinet was offered to the President on the 30th May and accepted by him, and on the 2nd June Herr von Papen completed the formation of his 'Cabinet of Barons'. The representatives of the new Governments in Paris and in Berlin had hardly taken their seats at the Disarmament Conference when the statesmen of the principal European countries were obliged to transfer the greater part of their attention to Lausanne, where the Conference on Reparations was in session from the 16th June to the 9th July.

It will be seen that, if the progress which was made by the Disarmament Conference during this period was so slow as to cause widespread disappointment and alarm, it was not solely due to the lack of agreement between the members of the numerous committees and sub-committees which were engaged in the discussion of technical details.

The immediate problem before the Conference after the conclusion of the general debate was how to reduce to manageable proportions the abundance of material which was at its disposal. The Conference had requested the General Commission to proceed to a preliminary study of the plans and proposals which had been placed before it and to co-ordinate them with the draft Convention prepared by the Preparatory Commission; and it had authorized the General Commission to constitute 'such commissions, sub-commissions, or committees as it' might 'consider desirable'. The General Commission had held a preliminary meeting on the 9th February, when Mr. Henderson had been elected President and Monsieur Politis (Greece) Vice-President. It met again on the 24th and 25th February in order to decide on the procedure which should be adopted for the study of the proposals before the Conference. Sir John Simon proposed that the Commission should decide 'to carry on its discussions within the framework of the draft Disarmament Convention, full liberty being reserved to all delegations to develop their own proposals in subsequent debate and to move their amendments in the form of modifications, additions or omissions at the appropriate point'. This proposal met with approval from practically all the delegates except Monsieur Litvinov, who challenged the whole principle on which the Commission was setting to

work by moving a resolution calling upon the Conference to decide 'to base its work on the principle of general and complete disarmament'. Monsieur Litvinov's resolution was put to the vote and was defeated by a large majority (only three votes were cast in its favour) and Sir John Simon's proposal was adopted. It was agreed that, as a first step, Dr. Beneš, who had been appointed *Rapporteur* to the Commission, should prepare a 'co-ordinating table of the draft Convention and of the propositions referred to the General Commission'.

On the afternoon of the 25th February, a debate of some significance took place on the question of the composition of committees. The Committee on Procedure which had been appointed at the beginning of the Conference had recommended the establishment, in addition to the General Commission, of four technical committees to deal respectively with questions concerning land, naval, and air armaments and expenditure on national defence. The idea had been that all questions of principle, including those raised by the French memorandum on security, should be dealt with by the General Commission. Monsieur Tardieu now suggested that a Political Commission should be set up to study all proposals which came under the headings of 'Organization of Peace' and 'Supervision'. Monsieur Tardieu's object was obviously to establish the priority of security over disarmament in the discussions of the Conference by ensuring full consideration of the French plan before any progress had been made with disarmament questions proper. The terms of reference which Monsieur Tardieu proposed for the Political Commission would apparently rule out consideration by the Commission of the German claim to equality of status in armaments, and it was therefore not surprising that Herr Nadolny, the German representative on the General Commission, should have opposed Monsieur Tardieu's suggestion. Herr Nadolny, however, withdrew his opposition in response to an appeal from Sir John Simon, and it was agreed that a Political Commission should be set up, composed, like the General Commission, of a representative of each delegation. When Mr. Henderson and Monsieur Politis were elected as President and Vice-President of the Political Commission at its first meeting on the 27th February, the two Commissions became practically identical; and in the event the major political problems were handled (in so far as they were handled at all during the period under review) by the method of informal discussion between the principal delegates concerned and not by a Commission of the Conference. In fact, the only action which the Political Commission appears to have taken up to the end of 1932 was the appointment, on the 15th March, of a special committee to

study the Polish proposal for moral disarmament.¹ Thus Monsieur Tardieu failed to attain the main object which he had in view in proposing the constitution of the Political Commission.

Dr. Beneš's co-ordinating table² was available when the General Commission held its next meeting on the 8th March, together with lists of questions which the Bureau recommended for consideration by the General and Political Commissions, and also by the technical commissions without previous discussion by the General Commission. The General Commission decided to convene the technical commissions immediately in order that they might begin their examination of the questions referred to them; and accordingly the Land and Naval Commissions met for the first time on the 9th March, and the Air and National Defence Expenditure Commissions on the following day. The interval before the Conference adjourned on the 19th March for the Easter recess was occupied mainly by a process which Monsieur Tardieu described on the 16th March as a 'game of tennis' between the General Commission and the technical commissions—the balls being represented by individual points which the General Commission had referred to the technical commissions, and which, in the opinion of the latter, involved questions of principle that must first be settled by the General Commission.³ Monsieur Tardieu's

¹ See p. 232 below.

² This document, which is printed on pp. 148–75 of the *Conference Documents*, vol. i, had been produced with much labour, but it does not seem to have served any useful purpose, and within a few weeks its very existence had been generally forgotten.

³ For instance, the General Commission had asked the Air Commission to 'undertake a preliminary examination of the principle of the abolition of military aviation (with or without the internationalization of civil aviation)'. On the 14th March the Air Commission decided to inform the General Commission that in its opinion the abolition of military aviation involved 'too important a principle . . . for it to be able to avail itself usefully of the possibility of discussion given to it by the General Commission'; and it also considered that the technical discussion of the question of internationalization of civil aviation 'could not be undertaken until a decision of principle had been taken by the General Commission'. Señor de Madariaga, the Chairman of the Air Commission, therefore asked the General Commission to give its opinion with regard to the internationalization of civil aviation; and, should it consider this measure desirable, to instruct the Air Commission to study its possibilities and the methods of carrying it into effect. The General Commission replied by adopting a resolution on the 16th March in which it expressed the view that, 'without prejudice to the decision of principle' which would have to be taken on the question of internationalization of civil aviation, 'a previous technical study of its possibilities and the methods of carrying it into effect would be likely to facilitate greatly the said decision'. The Air Commission was therefore asked to undertake such a study and to submit to the General Commission 'any conclusion as regards details or as regards the question as a whole which it might think likely to assist the General Commission'.

criticism of this method of procedure evoked general sympathy, and before the Commission adjourned until the 11th April, the date which had been fixed by the Bureau for the resumption of the work of the Conference,¹ it adopted a resolution proposed by the American representative, Mr. Gibson, deciding that when the Conference reassembled either the General Commission or the Political Commission would 'sit continuously until such time as sufficient progress has been made in respect of decisions on questions of principle to allow the special Commissions fruitfully to pursue their labours'. Mr. Henderson, as President of the General Commission, appealed to those delegations which had not already supplemented the general statement of their views by detailed proposals in writing to prepare and submit such proposals during the recess; and he suggested in particular that it would be of great value if delegations which had put forward proposals in regard to 'qualitative' disarmament 'could support them by reasoned memoranda explaining why they regarded the weapons with which they proposed to deal as particularly dangerous for purposes of attack'. In response to this invitation, the Italian delegation produced on the 8th April a memorandum² explaining how Signor Grandi's proposals of the 10th February could be put into effect, and giving details of the size of guns, ships, and aircraft which might be abolished. Proposals in writing were also submitted during the first fortnight of April by eight other delegations.

On the 11th April the General Commission settled down to a discussion of the principles involved in Article 1 of the draft Convention,³

¹ The original intention had been that the Easter recess should last from the 19th March to the 4th April. In deciding on a week's extension the Bureau appears to have had in mind the fact that the second ballot in the German presidential election had been fixed for the 10th April (see p. 212 above).

² Conference Document No. 106, printed on pp. 181-5 of volume 1 of the collected *Documents*.

³ The list of questions which the Bureau had referred to the General Commission classified the questions connected with the principle of the reduction and limitation of armaments under nine heads. The General Commission did not get beyond the discussion of the first three heads. These were as follows:

- I. The principle of reduction of armaments:
 - (a) Definitive reduction under a single convention.
 - (b) Reduction to the lowest possible level.
 - (c) Reduction to be brought about by stages.
- II. (a) Criteria for limitation or reduction.
 - (b) Taking into consideration the particular conditions of the different countries.
 - (c) Method of computation of the effectives based on the absolute needs for internal order and relative needs for national defence.
- III. (a) Simultaneous application of a quantitative and qualitative limitation by the prohibition of certain material or of certain categories of armaments.
 - (b) Prohibition of certain material except under certain conditions.

by which the parties were to 'agree to limit and, so far as possible, to reduce their respective armaments'. The discussion during the first few days turned mainly on a draft resolution which was proposed by Mr. Gibson, the leader of the American delegation, as soon as the debate began, and which at once focused attention upon the possibilities of qualitative disarmament. By accepting Mr. Gibson's draft resolution the General Commission would express its belief 'that the abolition of aggressive weapons would constitute a first and essential requisite, not only for the reduction of armaments, but for the establishment of security'; and it would resolve:

1. (a) That the following weapons are of a peculiarly aggressive value against land defences—tanks, heavy mobile guns and gases—and as such should be abolished; and

(b) To request the Land Commission to draw up and submit to the General Commission a plan for scrapping tanks and mobile guns exceeding 155 millimetres in calibre, and for the abolition of the use of gases in war.

2. (a) That an undertaking by the states not to avail themselves of the afore-mentioned weapons in the event of war is equally essential; and

(b) To request the Political Commission to draw up and submit to the General Commission texts for these purposes.

Mr. Gibson's proposals were welcomed by most of the subsequent speakers, including the representatives of Great Britain¹ and of Germany,² as a step in the right direction, but they were strongly criticized by Monsieur Tardieu,³ who spoke at length on the 12th April. Monsieur Tardieu did not believe in attempts to regulate or humanize war, unless they were accompanied by attempts to organize peace, nor did he believe that the abolition of certain material would remove the danger of competition in armaments. He thought that the method suggested in the French plan was greatly preferable to that suggested by Mr. Gibson, and he was still convinced that the best solution of the problems before the Conference would be found in the

¹ Sir John Simon remarked that 'the corresponding questions in the range of naval and air armaments would have to be considered with equal definiteness', but he believed that Mr. Gibson had chosen wisely in confining his proposals at that stage to land armaments.

² Herr Nadolny emphasized the necessity of reducing armaments 'to the minimum laid down in Article 8 of the League Covenant' and he expressed approval of Mr. Gibson's proposal on the understanding that it was 'a first instalment of the work prescribed in Article 8 in the Covenant'.

³ In the French press, Mr. Gibson's proposal was generally criticized as an attempt to prohibit the types of armaments which were of interest to the military Powers like France, while leaving untouched the naval armaments with which the United States and Great Britain were principally concerned.

French plan. Other outstanding speeches in the general discussion on Article 1 of the draft Convention were those of Monsieur Litvinov on the 12th April and of Signor Grandi and Tevfik Rüstü Bey on the 13th. Monsieur Litvinov advocated the omission of the word 'limitation' from the Convention and concentration on the principle of 'reduction', and he also urged the Commission to adopt the principle of proportional reduction in accordance with the second of the two plans submitted by the Soviet delegation.¹ Signor Grandi explained to the Commission the detailed proposals for qualitative disarmament which had been sent in by the Italian delegation on the 8th April;² while Tevfik Rüstü Bey drew attention to the advantages of the proposal for the equalization of armaments which the Turkish delegation had already submitted to the Conference.

The general discussion on Article 1 of the draft Convention came to an end on the 13th April, and the various proposals which had been put forward were referred to the Bureau of the Conference, which would decide what would be the appropriate time for any further consideration of the points raised.³ On the 18th April the General Commission began its detailed examination of the questions of principle referred to it by the Bureau,⁴ and between the 18th and the 22nd April it took a number of decisions.

On the 19th April the Commission decided unanimously:

that the reduction of armaments, as provided for in Article 8 of the Covenant of the League of Nations, shall, after this Conference has taken the first decisive step of general reduction to the lowest possible level, be progressively achieved by means of successive revisions at appropriate intervals.

On the 20th it adopted a resolution declaring that, in determining the criteria for the limitation and reduction of armaments,

the provisions of Article 8 of the Covenant of the League of Nations shall be applied, and that, in consequence, armaments must be reduced to the lowest point consistent with national safety and the enforcement by common action of international obligations. It will be necessary further

¹ See p. 207 above.

² The Italian representative, in commenting favourably on Mr. Gibson's proposal on the 11th April, had already pointed out that the principle of qualitative limitation had been exposed in greater detail in the Italian memorandum of the 8th April.

³ At a private meeting of the Bureau on the 15th April, Monsieur Tardieu was understood to have raised strong objections to any further consideration of Mr. Gibson's proposal for qualitative disarmament until a decision had been taken on the French plan. The Bureau decided that the two proposals should be considered simultaneously, but it did not fix a time for the discussion.

⁴ See footnote on p. 216 above.

to take account of the geographical situation and special circumstances of each state.

This resolution was supported by France, whose case for no disarmament without security was safeguarded by it, and it also met the views of countries like Poland, Rumania, and Japan, which felt that their geographical position entitled them to special consideration. It had the additional advantage, from the point of view of the majority, of disposing of the Russian proposal for proportionate reduction of armaments by stages and of the Turkish proposal for equalization of armaments, neither of which was compatible with the provisions of Article 8 of the Covenant. Monsieur Litvinov voted against the resolution, but the Turkish representative did not follow his example, and declared instead that his delegation 'would not insist on its own views in a fanatical spirit, but would accept any proposal for the reduction of armaments to the lowest possible level'. The resolution was accepted by Herr Nadolny without difficulty, since the policy of the German delegation was to insist that Article 8 of the Covenant, with all its implications, must form the basis of the Conference's work.

The General Commission also decided on the 20th April that 'the application of these criteria [for the limitation and reduction of armaments], and the methods by which the reduction and limitation of armaments must be effected, shall be immediately examined from a practical standpoint'; and in pursuance of this decision it went on to discuss the qualitative method of reduction. Sir John Simon moved the following resolution:

Without prejudice to other proposals which fall to be discussed under later heads of the agenda, the Conference declares its approval of the principle of qualitative disarmament, i.e. the selection of certain classes or descriptions of weapons with a view to prohibiting, by international convention, their possession or use by any state.

Although the majority of the members of the General Commission had supported Sir John Simon's earlier resolution¹ in favour of taking the Preparatory Commission's draft Convention as the framework of their discussion, not even the most optimistic among them could be expected to contemplate with satisfaction the prospect of entering upon a detailed examination of each article of the draft Convention, together with all the proposals for amendments which had been, or might be, submitted by various delegations. Any suggestion that seemed likely to accelerate the proceedings by offering a formula on which general agreement might be reached without too much

¹ See p. 213 above.

difficulty was therefore sure of a welcome, and Sir John Simon's proposal regarding qualitative disarmament, like that made by Mr. Gibson on the 11th April, received strong support. Like Mr. Gibson's proposal, however, it also caused some perturbation in the circles which supported the French plan for placing aggressive armaments at the disposal of the League of Nations. Monsieur Tardieu had returned to France in order to take part in the election campaign, but, on being informed of the discussion which was in progress, he set out again for Geneva.¹ In his absence the French objections to the prohibition of certain classes of weapons were expounded by Monsieur Paul-Boncour on the 21st April, and an alternative resolution, recording the preference of certain delegations for the method recommended in the French plan, was put forward by the Rumanian representative in the name of fourteen delegations. On Monsieur Tardieu's arrival at Geneva, the question was discussed informally between the British and the French delegations, with the result that, at a meeting of the General Commission on the 22nd April, at which Monsieur Tardieu was present, the British delegation put forward an amended resolution. In this resolution² the French proposal for the internationalization of aggressive arms was put on the same level as the proposal for prohibition of such arms. By adopting it unanimously, the Commission declared in favour of 'the selection of certain classes or descriptions of weapons the possession or use of which should either be absolutely prohibited to all states or internationalized by means of a general convention'.

With the adoption of this resolution on the 22nd April, the General Commission completed its function of examining the questions of principle which arose in connexion with the qualitative method, but it remained to select the armaments to which this method could be applied, and the debates which had taken place on this subject, as well as the written proposals submitted by various delegations, showed that there were wide differences of opinion in regard to the weapons which could be classified respectively as 'offensive' or 'aggressive' and 'defensive'. The task of dividing armaments into these two categories fell to the technical commissions on Land, Naval,

¹ Monsieur Tardieu felt, no doubt, that any appearance of defeat at Geneva would react unfavourably upon his Government's prospects of success in the elections. The partial failure of his other main initiative in the international field—the proposal for a Danubian Federation (see the present volume, pp. 22–3 above)—made it more unlikely than ever that he would relax his efforts to keep the French plan well to the front in the discussions at Geneva.

² The text of the final resolution will be found on p. 116 of vol. i of the *Minutes* of the General Commission.

and Air Armaments; and after some discussion on alternative proposals the General Commission adopted another resolution for the guidance of the technical commissions, calling upon those commissions to examine 'the range of land, sea, and air armaments . . . with a view to selecting those weapons whose character is the most specifically offensive or those most efficacious against national defence or most threatening to civilians'.

On the 26th April the General Commission decided, on the recommendation of the Bureau, to suspend its meetings until such time as the reports of the technical commissions on qualitative reduction were ready for its consideration. The reasons for this indefinite adjournment were twofold. In the first place, it was felt that the General Commission's decision in favour of the qualitative method 'had brought the Conference to one of the decisive stages in its work' and that 'there was no part of the whole range of subjects before it which would not be intimately affected by the reports of the special commissions'.¹ In the second place, the members of the Bureau had come to the conclusion that certain questions, 'which for the moment seemed to present special difficulty', could most profitably be dealt with by means of private conversations between the leaders of delegations. The questions of special difficulty included those raised by the French plan of the 5th February and by the German demand for equality of status; and by adjourning on the 26th April *sine die* the General Commission would be able to postpone discussion of these questions until after the first week of May, when it would have become clearer whether the plan of the 5th February was likely to represent the last word of the Government which would be in power in France after the parliamentary elections.²

The method of private conversations 'on the fringe' of a Conference at Geneva had become established as a recognized part of the 'post-war' procedure for dealing with international affairs; and the statesmen who were assembled for the Disarmament Conference had naturally not been neglecting the opportunity of endeavouring, by means of informal exchanges of views, to prepare the ground for the treatment of controversial questions by the Conference. For instance, conversations took place early in February between Signor Grandi and Monsieur Tardieu, and on the latter's return to Geneva as the head of the French Government towards the end of February

¹ Mr. Henderson in the General Commission on the 26th April.

² The adjournment of the General Commission on the 26th April was the first flagrant case of 'running away from a difficulty' which had occurred since the Conference began, and it set a precedent which was only too easy to follow.

he was understood to have made certain precise proposals which were subsequently communicated to Signor Mussolini by Signor Grandi. These proposals, it was believed, related in part to Monsieur Tardieu's plan for solving the problems of Central Europe,¹ in part to the question of Franco-Italian naval relations, which had a direct and most important bearing upon the work of the Disarmament Conference. The failure of the attempt to bring about a Franco-Italian naval agreement, and thus complete the task which the London Naval Conference had left unfinished, has been recorded in an earlier volume of this *Survey*.² The absence of agreement between France and Italy would, of course, seriously handicap the Disarmament Conference in its discussion of naval armaments, and Signor Grandi, whose Government had always shown a greater readiness than the French Government to come to terms on this matter, had formally announced at the beginning of the Disarmament Conference³ that the Italian delegation was ready to resume negotiations with France and to do everything in its power to bring the negotiations to a successful conclusion. There were rumours in February that the French and Italian naval experts had been brought into touch with one another through British mediation, but if such discussions did take place they produced no result, and the proposals which Monsieur Tardieu was said to have made at the end of February were evidently unacceptable to the Italian Government.⁴ The Franco-Italian naval problem remained unsolved in the last week of April, when it, together with other questions of special difficulty, formed the subject of the private conversations between leaders of delegations which had been recommended by the Bureau of the Disarmament Conference.

Equally little success had attended such attempts as had been made to reduce the distance between the respective standpoints of France and Germany. The attitude of the French Government had been clearly revealed in Monsieur Tardieu's statements to the plenary session of the Conference and to the General Commission, and in speeches which he had recently made in France.⁵ Monsieur Tardieu

¹ See the present volume, pp. 22-3 above.

² See the *Survey for 1931*, Part II, section (iv).

³ In his speech before the plenary session on the 10th February.

⁴ On the 23rd April Admiral Sirianni, the Italian Minister of Marine, announced in the Senate that he was deliberately refraining from presenting a naval building programme for the next financial year, in order not to show a lack of faith in the prospect of agreement at Geneva; but he made it known that orders had been given at the end of 1931 for two new cruisers, in addition to destroyers and certain other vessels.

⁵ Before returning to Geneva on the 24th February as the head of the Government, Monsieur Tardieu had told the French Chamber of Deputies, in cate-

was determined that there should be no reduction of French armaments until the security of France had been guaranteed by the adoption of the plan of the 5th February or of some alternative proposal which would be equally satisfactory in French eyes; and he refused even to consider the possibility of acceding to the German demand for equality of status. That demand, which had been formulated in unequivocal if moderate terms by Dr. Brüning on the 9th February, had governed the attitude of the German delegates on every question which had arisen for consideration, and though Herr Nadolny had not taken a very prominent part in the discussions in the General Commission, he had lost no opportunity of making it clear that Germany would not be satisfied unless the other Powers showed a definite intention of reducing their armaments to the German level. The gulf between the French and German positions was thus too wide to be easily bridged, and interviews which Monsieur Tardieu had towards the end of February with Herr Nadolny at Geneva and with Herr von Hoesch, the German Ambassador in Paris, did little or nothing to reconcile Franco-German differences.

There was also a marked divergence between the French and the 'Anglo-Saxon' points of view on security, and during April Monsieur Tardieu had the opportunity of discussing the implications of the French plan with representatives of the British and of the American Governments. On the 3rd April Monsieur Tardieu had an interview in London with Mr. Ramsay MacDonald, and though the exchange of views between the two Prime Ministers bore chiefly on the economic and financial situation of the Danubian states, which was the subject of a Four-Power Conference in London on the 6th and 7th April,¹ other outstanding questions were no doubt discussed as well.

gorical terms, that proposals involving a further reduction of French armaments could not be considered unless and until the principles of the French plan had been accepted, and that they could only be considered then if the engagements made by other states and the forces placed at the disposal of the League were considered an adequate guarantee of French security. Monsieur Tardieu had made a similar statement to the Foreign Affairs Committee of the Chamber on the 4th March; and on that occasion he had added that, under existing circumstances, France could only agree not to exceed in future years the expenditure on armaments for which provision was made in the Budget for the current year. Monsieur Tardieu had also declared that on no conditions would France accept general disarmament or equality of armaments, and that she would not agree to an increase in the armaments of any nation. On the 25th March, in a speech on foreign policy in the Senate, Monsieur Tardieu had remarked, *à propos* of the Far Eastern crisis, that the French plan would provide the League with the necessary material authority to enable it to enforce its decisions, but he had denied that the French attitude towards the plan was 'all or nothing'. The important thing was to find a basis for discussion in the Disarmament Conference. ¹ See the present volume, pp. 22-3 above.

On the 15th April Mr. Stimson, the U.S. Secretary of State, who was on his way to Geneva,¹ had a conversation with Monsieur Tardieu in Paris. It has been indicated² that the attitude of the United States on security was likely to play an important part in determining whether the French view would prevail or not, and the conversation on the 15th April was understood to have been directed mainly towards the discovery of some common ground between the French and the American standpoints. At the London Naval Conference in 1930, Mr. Stimson had been willing in principle to consider the possibility of American participation in an agreement for consultation in the event of a breach of the Kellogg Pact,³ and the part which he had played during the Far Eastern crisis⁴ showed that he was prepared in practice to carry consultation with members of the League to considerable lengths. A 'consultative pact' would, of course, be a poor substitute from the French point of view for the system envisaged in the plan of the 5th February, but its indirect effects upon the whole problem of security might be highly important. Mr. Stimson, however, was unable at this stage to promise more than that the United States would not place obstacles in the way of a security pact between European states, and this rather negative contribution towards the solution of the problem can have afforded little satisfaction to Monsieur Tardieu.

During the last ten days of April these bilateral conversations were succeeded by discussions at Geneva between the representatives of five Powers—the United States, Great Britain, France, Italy, and Germany. Mr. Stimson arrived at Geneva on the 16th April, and on the 21st he was followed by Monsieur Tardieu and Mr. Ramsay MacDonald, who had travelled together from Paris. Mr. MacDonald's experience as President of the London Naval Conference in 1930⁵ had made him a strong advocate of the method of informal discussion

¹ Mr. Stimson had been appointed the nominal leader of the American delegation to the Disarmament Conference before that delegation left the United States, and he had announced that he might attend the Conference when it had got under way if his presence should seem desirable and if his other duties permitted his absence from Washington. Mr. Stimson's decision to visit Geneva was taken after he had received the report of Mr. Norman Davis, a member of the American delegation who had returned to the United States during the Easter recess. The proposal which Mr. Gibson made in the General Commission on the 11th April (see p. 217 above) was understood to have been the result of the consultations in Washington, and to have been timed deliberately to anticipate Mr. Stimson's arrival at Geneva by a few days.

² See pp. 187–8 above.

³ See the *Survey for 1930*, Part I, section (ii), pp. 54 and 56–7.

⁴ See the *Survey for 1931*, Part IV, section (iv), and the present volume, Part V, section (iv) (b). ⁵ See the *Survey for 1930*, Part I, section (ii).

of controversial questions, and five-Power conversations on the principal outstanding problems were opened without delay. Monsieur Tardieu, however, was obliged to return to France, owing to the election campaign, immediately after the meeting of the General Commission on the 22nd April,¹ and Signor Grandi also left Geneva the same day for Rome. Conversations continued between Mr. MacDonald, Mr. Stimson, and Dr. Brüning,² and the French and Italian delegations were kept informed of the nature of the discussions.

As a result of these conversations, no progress could be recorded in connexion with the Franco-Italian naval problem, to which Mr. MacDonald attached great importance,³ but in respect of the German demand for equality of status a certain amount of ground was cleared. Dr. Brüning suggested that, in conjunction with a general renunciation of heavy offensive weapons, the other Powers should agree that certain provisions of the Disarmament Chapter of the Versailles Treaty should be modified in Germany's favour. In return for these concessions, Germany would give a definite undertaking not to increase her armaments above their existing level for a given period. It became known subsequently that Dr. Brüning had referred in particular to a reduction of the twelve-year period of military service, the formation of some kind of militia, and a freer choice of factories for the supply of munitions. In addition, he was believed to have proposed that Germany should be given the right, in principle, to possess any categories of weapons which were not generally renounced. Mr. MacDonald and Mr. Stimson were prepared to give these proposals favourable consideration, and they were known to be acceptable to the Italian Government, but no decision could be taken in the absence of Monsieur Tardieu. A pressing invitation to Monsieur Tardieu to return to Geneva for a short time was accordingly despatched, but on the 28th April, when his arrival was expected, it was announced that he had contracted laryngitis, and was unable to leave Paris. There was no reason to suppose that his ill health was not genuine, but at the same time there was no doubt that it was extremely convenient from the French point of view. The exact nature of the German proposals was not yet publicly known, but the mere suggestion that the Versailles Treaty régime might be modified

¹ See p. 220 above.

² Dr. Brüning returned to Germany to vote in the Prussian election of the 24th April, but he was back in Geneva on the following day.

³ After Mr. MacDonald had returned to London at the beginning of May, he told a reporter that in his opinion the 'acid test' of the proceedings at Geneva would be 'whether the London Naval Treaty, which has been signed by three Powers, can be made a general treaty'.

had aroused a storm of protest in the French Right press, whereas the Left was, generally speaking, in favour of coming to a settlement of some kind with Germany in order to remove the principal obstacle to disarmament. Monsieur Tardieu would obviously be reluctant, on the eve of a general election, to give the definite answer to Dr. Brüning which he could hardly have avoided if he had made a special journey to Geneva in order to discuss the question.

By the 1st May Mr. MacDonald, Dr. Brüning, and Mr. Stimson had all left Geneva—the last-named on his way back to the United States¹—though it was still hoped that the five-Power Conference might be resumed after a brief delay. Mr. MacDonald proposed that a meeting of Premiers or of leading representatives of the Powers concerned should take place about the middle of May, but the result of the French elections and the delay in the formation of the new French Government made it impossible for the meeting to be arranged. The principal political problems which were before the Disarmament Conference therefore remained in abeyance for some weeks. The General Commission held a meeting on the 10th May, but the only business which it transacted was the appointment of two more technical commissions,² and it then adjourned once more until such time as the reports of the technical commissions should be ready for its consideration.

Throughout the month of May, the Naval, Land, and Air Commissions of the Conference were engaged, with the assistance of expert sub-committees, in an attempt to answer the questions which had been put to them by the General Commission on the 22nd April³—that is, to decide what armaments were the most specifically offensive, the most efficacious against national defence, and the most threatening to civilians. It has been seen that the idea of qualitative disarmament had made a strong appeal to the public in all countries which was following the course of the Disarmament Conference, and the approval of the idea in principle by the General Commission had been widely welcomed as a real step forward. The hopes which had been raised, however, were doomed to disappointment, for the members of the technical commissions found it impossible to carry out the task which had been assigned to them of defining 'aggressive' or 'offensive' weapons. As a result of the discussions in the Land, Naval, and Air Commissions, the principle of qualitative disarma-

¹ Mr. Stimson told representatives of the press before he left Europe that he was well satisfied with the results of his conversations and saw grounds for hope of the ultimate success of the Disarmament Conference.

² On Chemical and Bacteriological Warfare and on Effectives (see pp. 231, 232 below).

³ See p. 221 above.

ment appeared to be 'in danger of being refined out of existence';¹ and 'a profound sense of anxiety and discouragement'² was induced in the minds of the onlookers, who could not but feel that much of the Commissions' efforts had been directed towards showing that there were no armaments to which the qualitative principle could be applied.

The Land, Naval, and Air Commissions, which had begun work in the second week of March,³ had made little progress in the discussion of the points that had been referred to them when their attention was diverted, in the last week of April, to the question of aggressive armaments. After some six weeks' work the three Commissions presented reports on that question which were in effect a confession of inability to agree.

In the Naval Commission there was a strongly marked tendency for each delegation to consider as defensive the categories of vessels which were suited to its own country's needs, and as aggressive the categories which it did not wish to retain for itself. Thus the representatives of the United States and of Great Britain maintained that the battleship was a purely defensive weapon, and that the submarine was the only vessel which could be classified as definitely aggressive. Japan defended both the battleship and the submarine, but would have liked to see aircraft carriers, which constituted a possible menace to Japanese security, included in the class of aggressive weapons. All the other Powers were agreed in thinking that large battleships must be considered aggressive, but many of them were prepared to concede that capital ships which did not exceed a certain tonnage and a certain gun calibre would fall into the defensive class. The German delegate, whose attitude was that all the vessels which had been forbidden to Germany by the Versailles Treaty were offensive, while the vessels which she had been allowed to retain were defensive, put in a special plea for the 'pocket-battleship' of 10,000 tons as defensive.⁴ France and Italy refused to consider the submarine aggressive in itself or dangerous to civilians, though the Italian delegate was ready to dispense with it if the battleship was also prohibited.⁵

¹ Quoted from a speech made by Lord Cecil to the International Association of League of Nations Unions at Geneva on the 18th May.

² Quoted from a memorial appealing for a British lead at the Conference which received over fifty representative signatures, and which was despatched to Mr. MacDonald at Geneva on the 13th June.

³ See p. 215 above.

⁴ Baron Rheinbaben was prepared, however, to sacrifice the pocket-battleship if the other Powers would agree to reduce the size of capital ships. This offer was made during a meeting of the Naval Commission on the 29th April.

⁵ The Italian attitude towards the work of the technical commissions was frankly expressed by Signor Grandi in a speech which he delivered before the

Lengthy and frequently animated discussion did not avail to reconcile these different views, and the report of the Naval Commission¹ to the General Commission, which was adopted on the 28th May, consisted of a record of the divergent opinions which had been expressed during the discussion.

The report of the Land Commission,² which was adopted on the 7th June, was hardly more helpful than that of the Naval Commission. In order to save time this Commission had decided not to deal with the whole series of land armaments, but to confine its examination to certain types—namely, artillery and armoured cars³—which had been mentioned in the general discussion by most of the advocates of qualitative disarmament. Even in this limited field, they were unable to reach unanimous conclusions. The Land Commission finally decided that all artillery could be used for offensive and defensive purposes, but that its offensive capacity became greater as its effectiveness increased.⁴ In regard to 'armoured fighting vehicles', about a dozen delegates, including those of Italy, Germany, the U.S.S.R. and Hungary, considered all tanks aggressive; but a second group, which included France and Great Britain, held that only tanks exceeding a certain tonnage could be included in the aggressive category. Within this second group, there was a difference of opinion as to the tonnage which should constitute the dividing line between the aggressive and the defensive type. The French delegation proposed a limit of 70 tons, while the British delegation recommended that all tanks over 25 tons should be classified as aggressive. Similarly, the members of the Land Commission were unable to agree on the question whether other types of 'armoured fighting vehicles' (armoured cars, mobile cupolas, and armoured trains) should be considered offensive or defensive. Thus the report of the Land Commission, like

Senate in Rome on the 3rd June, when he derided the land Powers who wanted naval disarmament and the naval Powers who wanted land disarmament, and declared that what the delegates at Geneva needed was a new mentality.

¹ Conference Document No. 121, printed on pp. 215-27 of volume i of the collected *Documents*.

² Conference Document No. 122, printed on pp. 227-45 of volume i of the collected *Documents*.

³ The Commission also had some discussion on the question of fortifications, which had been raised by the German proposals of the 18th February. The suggestion that fortifications were offensive was indignantly repudiated by France, and the Commission soon realized that it would be extremely difficult to reach practical conclusions on this point, at any rate for the time being.

⁴ The Commission considered that all mobile guns of a calibre exceeding 250 mm. fell into the category of 'most threatening to national defence', since they would be capable of destroying permanent fortifications of considerable strength, but they were unable to reach any conclusions as to the degree of offensiveness which attached to guns of a calibre of less than 250 mm.

that of the Naval Commission, consisted mainly of a record of different opinions.

The report of the Air Commission,¹ which was adopted on the 8th June by a majority vote, presented a greater appearance of unanimity; but the conclusions which it set forth were subject to a large number of reservations, which were annexed to the report in the form of declarations from seventeen delegations. Moreover, the conclusions themselves were almost of the nature of truisms. Thus the Commission was of opinion that all air armaments could 'be used to some extent for offensive purposes, without prejudice to the question of their defensive use'; that civil aircraft 'could in varying degrees subserve military ends'; and that the capacity of air armaments for offensive action depended 'on certain of their constructional characteristics'. The Commission also pointed out that the aircraft which must be regarded 'as most efficacious against national defence' and 'as most threatening to the civil population' were those which were 'capable of the most effective direct action by the dropping or launching of means of warfare of any kind'. The efficacy of aircraft for such purposes, considered individually, was 'in proportion to its useful load² and its capability of arriving at its objective'. The Commission was unanimously of opinion that air bombardment was 'a grave threat to civilians'; and among 'means of warfare intended to be dropped from the air' which were most threatening to the civil population, the report made special mention of 'poisonous gases, bacteria, and incendiary and explosive appliances'. These and similar conclusions, which constituted the reply of the Air Commission to the General Commission's questions, did not satisfy those delegates who advocated the abolition of all military aircraft as aggressive. The German delegation submitted an amendment designed to give expression to this point of view,³ but it was rejected by 22 votes to 7 (those in favour of the amendment were the delegates

¹ Conference Document No. 123, printed on pp. 245-58 of volume i of the collected *Documents*.

² By 'useful load' was meant all that an aircraft could carry in addition to its 'unladen weight', as defined in an annex to the report. The question of criteria for determining 'useful load' gave rise to considerable discussion, the Commission being almost equally divided on the merits of rival Italian and French proposals.

³ In the course of the discussion on this amendment on the 18th May, the Belgian representative, Monsieur de Brouckère, was reported to have struck a blow at the German case for qualitative disarmament by declaring that, in his opinion, Germany had been forbidden by the Peace Treaties to possess certain armaments not because they were specially offensive in character, but because the Allied and Associated Powers wished to put her in a position of inferiority.

of Austria, Bulgaria, China, Germany, Hungary, Turkey and the U.S.S.R.).

The general conclusions which were set out in Part I of the Air Commission's report were not likely in themselves to prove very helpful to the General Commission, but they were supplemented in Part II by a technical study of the conditions which determined the offensive character of air armaments, in which certain tentative indications were given of the size and nature of aircraft capable of performing certain functions. For instance, it was pointed out that, while 'the greater part of air armaments' were 'at present ineffective against permanent fortifications', yet 'aircraft capable of carrying a useful load of 5,000–6,000 kg. would be capable of producing serious results' against such fortifications, and 'aircraft capable of transporting a useful load of from 3,000 to 5,000 kg. would be capable of producing appreciable results, in particular against dug-outs, but without decisive consequences'. Similar indications were given of the 'useful load' which aircraft must be able to carry if they were to be used in battle on land or sea or for action against lines of communication, supply depots, or air and naval bases.

The report of the Air Commission did not deal in any detail with the question of civil aviation, which had been referred back to the Commission by the General Commission on the 16th March,¹ and had then been handed over to an expert sub-committee. This sub-committee had had under consideration the various proposals relating to the internationalization or control of civil aviation which had been put forward since the Conference began²—in particular, a detailed plan for the internationalization of civil air transport which had been circulated by the French delegation in the middle of April.³ The first question which the experts had to decide was whether they should recommend the adoption of the French proposals for the creation of an international aerial navigation company which would possess a monopoly of the European air lines. The experts were unable to agree on their answer to this question. Their report⁴ to the Air Commission, which was made public on the 16th May, showed that the French, Belgian, Polish and Yugoslav members of the committee were in favour of the establishment of such a company, while the

¹ See p. 215 above, footnote.

² Proposals relating to civil aviation had been submitted during February by the delegations of Belgium, Denmark, France, Spain, Sweden, Switzerland and the U.S.S.R.

³ The French proposals were circulated on the 14th April as Conference Document No. 115.

⁴ Conference Document C.A. 15. C. 467. M. 237. 1932. viii.

German representative opposed the scheme on juridical, political, and technical grounds, and was supported by the British, American, Italian, Swedish and Dutch experts.

It has been mentioned that the Air Commission had referred to chemical and bacteriological methods of air warfare as among the most threatening to the civil population. As the question of chemical and bacteriological weapons and methods of warfare arose in connexion with land and naval armaments, as well as air armaments, the General Commission on the 10th May had appointed a special committee to deal with that question and to draw up a report on the same lines as those which were being prepared by the Naval, Land, and Air Commissions. The Chemical and Bacteriological Committee had completed this task by the end of May, and, in contrast with the other commissions, its conclusions were practically unanimous.¹ It recommended that the qualitative method of disarmament should be applied to the use of all natural or synthetic noxious substances (smoke- or fog-producing substances were excluded if they were not liable to produce harmful effects under normal conditions); to appliances, devices or projectiles specially constructed for the use of such noxious bodies; to all methods for the projection, discharge or dissemination in any manner of pathogenic microbes or of infected substances; to projectiles specifically intended to cause fires; and to appliances designed to attack persons by fire, such as flame-projectors.²

Mention should also be made of three other committees which were at work during April and May and which dealt respectively with expenditure, with moral disarmament, and with effectives. The National Defence Expenditure Commission had begun work on the 10th March. A committee which had met in 1931 had studied the technical possibilities of budgetary limitation and had concluded that there was no insuperable objection to the adoption of that method.³ It remained for the Disarmament Conference to test this conclusion by a detailed study of the budgets and budgetary systems of the

¹ It should be remembered in this connexion that the International Conference on the Control of the International Trade in Arms, Munitions, and Implements of War which was held at Geneva in May and June 1925 (see the *Survey for 1925*, vol. ii, pp. 69–71) had drawn up a Protocol which bound the contracting parties not to make use of chemical and bacteriological methods of warfare. This Protocol came into force for each signatory as from the date of its deposit of ratification. By the beginning of 1932 the Protocol had been signed or acceded to by 46 states and ratified by 34 of them.

² The report of the Chemical and Bacteriological Committee (Conference Document No. 120) is printed on pp. 210–15 of volume i of the collected *Documents*.

³ See the *Survey for 1931*, pp. 279–80.

various countries. On the 21st March the Expenditure Commission circulated to all delegations a *questionnaire* on their budgetary systems, and its progress was retarded by the delay of the delegations in supplying the required information. At the end of April the Commission received a detailed report from a sub-committee which had prepared a comparative table of expenditure on national defence in different countries, on the basis of the information which had been supplied before the Disarmament Conference began;¹ and a few days later a technical sub-committee was able to make a beginning with the examination of individual budgets. Thereafter this technical committee proceeded to work its way through the budgets, country by country.

The Moral Disarmament Committee had begun work in the middle of March, on the basis of the Polish proposal² and of documentary material furnished by the International Committee on Intellectual Co-operation. Special sub-committees were set up to study different aspects of the question, and by the beginning of June these sub-committees had made considerable progress.

The Committee on Effectives was appointed by the General Commission on the 10th May, at the suggestion of the American delegation, 'for the purpose of studying all pertinent information relating to figures for effectives, with a view to preparing a report as to the numerical strength, on a comparable basis, of effectives maintained by each country'. This committee, which began work towards the end of May, found that it could make no progress until it had defined what was meant by the term effectives. It proved impossible, however, to carry out even this preliminary task, owing to a difference of opinion on the definition of the term 'pre-military training'. The issue raised was that of the inclusion among effectives of the members of semi-military organizations such as those which existed in Germany and Italy; and the representatives of those two states, together with the representative of the U.S.S.R., were in the minority which opposed a French proposal limiting 'pre-military training' to youths under 18 years of age. On the 9th June the Effectives Committee reported its inability to agree to the General Commission, and adjourned pending a decision from the General Commission on the point in dispute.

Thus by the second week of June five committees of the Disarmament Conference had presented reports to the General Commission, and in only one case (that of the Chemical and Bacteriological Committee) were the conclusions reached of a nature to assist the General

¹ *Op. cit.*, p. 280.

² See pp. 207-8 above.

Commission in its task of deciding questions of principle. The deliberations of the Land and Naval Commissions had merely proved that the experts attached to the Disarmament Conference were unable to divide armaments into the categories 'offensive' and 'defensive' (although that task had presented no insuperable difficulty to the experts who had drafted the disarmament chapters of the Peace Treaties); and the result of the Air Commission's discussions was only slightly less discouraging. The Effectives Committee also had reached an *impasse* and had left it to the General Commission to find the way out. On the technical side, the position of the Disarmament Conference after four months' work was that, except in the case of chemical and bacteriological methods, the 'qualitative' line of approach, which had seemed to offer such hopeful possibilities as a short cut to disarmament, was blocked by the inability of the experts to agree; and no other line of approach suggested itself as an alternative to the re-examination, clause by clause, of the Preparatory Commission's draft Convention, with all the unlimited opportunities for quarrelling over details which that proceeding would afford.

On the political side, the outlook in the second week of June might be said, on the whole, to be slightly more favourable than the outlook at the beginning of February when the Disarmament Conference began. The obstacle which had been represented by the rigid insistence of the French delegation upon its plan of the 5th February no longer seemed insuperable, since the Government which had recently been formed by Monsieur Herriot might reasonably be expected to modify the policy upon which Monsieur Tardieu had taken his stand. In regard to the German demand for equality of status, it was something gained that Dr. Brüning's suggestion had been received not unsympathetically by the British and American Governments,¹ but it remained to be seen whether those suggestions would be accepted

¹ A debate on disarmament had taken place in the House of Commons at Westminster on the 13th May, when the Foreign Secretary had given an account of the proceedings at Geneva up to that date. The bankruptcy of the technical commissions was not then apparent, and Sir John Simon's references to the possibilities of qualitative disarmament were in a hopeful vein. (It was significant that he mentioned the disarmament chapter of the Versailles Treaty as proof that qualitative disarmament was feasible.) He indicated that the Conference was approaching the point at which it must deal with the controversial questions of French security and German equality. He referred in some detail to the difficulties inherent in the French conception of an international force; but he did not make it clear what line the British Government would take on the question of German equality, although he declared that the question would have to be faced. Nevertheless, his speech was criticized in France as too friendly to Germany.

by the new French Government as a basis for discussion. In this connexion it was a decided disadvantage that Dr. Brüning should have ceased to be Chancellor of the Reich a few days before Monsieur Herriot took office in France. In the essential aims of its foreign policy, the 'Junker' administration which came into power in Germany at the beginning of June might not differ very greatly from Dr. Brüning's Government, but in manner and methods the two Governments were far apart; and the disappearance of Dr. Brüning from the scene introduced an unforeseen complication into the situation at Geneva, at a moment when the break-down of the attempt to solve the technical problem on qualitative lines made it more than ever desirable that the negotiations on 'questions of special difficulty' should proceed to a satisfactory conclusion with the minimum of delay.

(c) THE HOOVER PLAN AND THE CONCLUSION OF THE FIRST
PHASE OF THE CONFERENCE (JUNE AND JULY, 1932)

It has been seen that the four technical commissions which had been attempting to define 'aggressive' armaments had all completed their reports by the 8th June, and the Bureau of the Conference had then to decide the lines on which the work of the Conference should proceed. The General Commission had nominally adjourned until the reports of the technical commissions were available; but reasons for a further postponement of its meetings were not far to seek. The technical commissions had indeed answered the General Commission's questions in some fashion, but the General Commission would be hard put to it to find a basis for discussion in a series of reports which could not be co-ordinated because they were neither comparable nor unanimous. Moreover, the private negotiations on specially controversial questions which had taken place during April had not produced any definite result when they had been suspended at the end of that month, and they had not since been resumed. The General Commission would therefore still be without a lead on these difficult problems. An additional argument in favour of postponement was provided by the fact that the Lausanne Conference on Reparations was due to open on the 16th June, and would inevitably occupy much of the time and attention of the responsible Ministers whose attendance at the Disarmament Conference was indispensable if decisions of any importance were to be taken. Against these arguments could be set only the growing discontent of delegates who had made a special journey to Geneva from distant countries with the slow rate at which the Conference was progressing, and the natural

dislike of many representatives of smaller Powers for a method of conducting business which left them in the position of onlookers and transferred the discussion of matters of fundamental importance from the Conference as a whole to a few Powers.

On the 14th June the Bureau of the Conference met to decide on the course which should be followed in the immediate future. The German delegate laid before the Bureau a new proposal for qualitative disarmament which was designed to meet the German claim for equality of status by bringing the other Powers down to the German level, so far as categories of weapons were concerned, at one stroke.¹ The proposal summed up the views that had been expressed by the German members of the technical commissions (that is, it recommended the application of qualitative disarmament to the weapons prohibited to Germany).² The majority of the other members of the Bureau felt that this proposal could not profitably be discussed at the time, and indeed that the General Commission would not be in a position to do any useful work until the principal Powers had come to an understanding on the 'questions of special difficulty' which had been referred to them in April. It was accordingly decided—with Señor de Madariaga, the Spanish representative, as the only dissident³—that the General Commission should not be convened

¹ The proposal was said to have been emphatically rejected by Monsieur Herriot.

² The text (Conference Document No. 124) is printed on pp. 258-9 of volume i of the collected *Documents*.

³ See p. 248 below, for Señor de Madariaga's initiative in organizing the eight-Power group in order to counteract the tendency for important questions to be discussed on the fringe of the Conference by a few Great Powers. It was also significant that the Air Commission, over which Señor de Madariaga presided, decided not to await the outcome of the private conversations before it resumed its work. The Commission proceeded accordingly, during the second half of June, to discuss a number of projects which were submitted to it. On the 23rd June the French delegation produced a plan for dealing with military aircraft, the principal features of which were the absolute prohibition of chemical, bacterial and incendiary air warfare, restrictions on air bombardment and the determination of a maximum tonnage for aircraft. There were also proposals relative to civil aviation, including an Italian plan for internationalization and a British plan for registration under the direction of the League. On the 24th June a sub-committee was appointed to examine various projects, but it had not been able to make much progress before the Conference adjourned on the 23rd July. The difficulties of the Air Commission's task were increased by the strong opposition of Germany to proposals for controlling commercial aviation. The German delegate contested the potential military capacity of civil aircraft, and urged that military aviation should be absolutely prohibited—a proposal which was no more acceptable to other Powers than the control of civil aviation was to Germany. Since the United States were also opposed to any suggestion which might hamper the development of commercial aircraft, the German delegation took the line

immediately, and that the conversations between delegates of the leading Powers should continue.

These conversations had already been resumed before the Bureau met. On the 13th June Monsieur Herriot, Mr. MacDonald, and Sir John Simon had arrived in Geneva together from Paris, where they had been engaged during the week-end in a preliminary exchange of views. During the following week, conversations took place between the representatives of the Great Powers, either at Geneva or at Lausanne, as frequently as circumstances permitted. In his opening speech as President of the Lausanne Conference¹ on the 16th June, Mr. MacDonald pointed out that there was an intimate connexion between the economic crisis and the problems of reparations and disarmament, and he insisted on the necessity of coming to decisions on those problems simultaneously. For the next few days there was a continual coming and going of statesmen between Lausanne and Geneva. While the division between the two Conferences remained formally distinct, no hard and fast line could be drawn between the subjects which were discussed in private conversation. Disarmament questions, however, were dealt with as a rule at Geneva, if only because the United States Government were not officially represented at Lausanne.²

On one occasion, at least, representatives of Italy and Japan attended an informal conference at Geneva, but for the most part the negotiations there were confined to delegates of the United States, France, and Great Britain. The subjects discussed seem to have included the problem of the interrelation between military and civil aviation; the possibilities of budgetary limitation of armaments;³

that any scheme of internationalization must be world-wide and not merely European.

Neither the Land nor the Naval Commission remained at work after submitting its report on qualitative disarmament, but the Technical Sub-Committee of the National Defence Expenditure Committee continued its examination of individual budgets. The Moral Disarmament Committee also remained at work during June and July and was able to submit a report indicating considerable progress before the Conference adjourned. (The text of the committee's report, which was dated the 20th July, was printed as Conference Document No. 138, and reproduced on pp. 271-3 of volume i of the collected *Documents*.)

¹ For the Lausanne Conference see the present volume, Part II, section (i).

² Members of the American delegation at Geneva avoided Lausanne as far as possible, but Mr. Gibson paid at least one visit to Lausanne to consult with Mr. MacDonald during the early days of the Reparation Conference.

³ The method of budgetary limitation had never appealed greatly to the United States, although Mr. Gibson had told the plenary session of the Conference on the 9th February that the American delegation would be prepared to consider its adoption in order to promote general agreement (see p. 203

and questions relating to the limitation of effectives. The main object of the conversations was to ascertain how much common ground existed between the three Powers and to determine what would be the best method of enlarging that ground. If they could come to an understanding on a definite programme of disarmament, they might be in a position to provide the basis for further general discussion which the reports of the Technical Commissions had failed to supply. The first concern of the British and American representatives was naturally to discover how much farther than Monsieur Tardieu the new French Government were prepared to go. Monsieur Herriot's victory in the May elections had been generally interpreted to mean that the elements in French political life which were in favour of a genuine reduction of armaments had gained the ascendant; and Monsieur Herriot had declared, when he announced his Government's programme in the Chamber on the 7th June, that he would support any proposal which would permit a reduction of military expenditure without compromising the security of France. Security, however, was still to be the determining factor; and Monsieur Paul-Boncour (who represented France in the conversations at Geneva, while Monsieur Herriot spent most of his time at Lausanne) could not hold out the hope of any substantial concessions in the absence of further guarantees of security. The most that he could offer, apparently, was a certain limitation on expenditure, coupled with the suppression or reduction of heavy artillery above a certain (unspecified) calibre, and of heavy bombing aeroplanes.

The question of German equality of status does not appear to have entered into the discussions at Geneva, but at Lausanne Herr von Papen, the new German Chancellor, who was attending the Reparations Conference, had opportunities of exchanging views on that question with Monsieur Herriot,¹ as well as with Mr. MacDonald and other leading statesmen. The advent of Herr von Papen and his colleagues to power had strengthened the belief, which was widely held in France and elsewhere, that Germany would prefer a disarmament settlement which would remove the restrictions imposed on her armaments by the Peace Treaty to a settlement by which other Powers would accept similar restrictions.² If this suspicion were

above). For the attitude of the American delegation on this question during the Preparatory Commission's discussions, see the *Survey for 1930*, pp. 92, 106 *seqq.*

¹ According to press reports, the solution of the problem of security and disarmament which Herr von Papen advocated was the conclusion of a Franco-German military alliance, in order to remove French fears of a German invasion.

² Dr. Brüning in his speech of the 9th February and Herr Nadolny

justified, the change of Government in Berlin provided an additional motive for coming to a general agreement on disarmament which would leave Germany with no excuse for re-arming; but, at the same time, the statesmen concerned could not but feel the need for caution in considering German claims and proposals. The upshot of the conversations at Lausanne appears to have been that Monsieur Herriot declined to commit himself in regard to the German demand for equality, but Herr von Papen was not given reason to believe that Mr. MacDonald's attitude would have undergone any substantial change if proposals on the lines of those outlined by Dr. Brüning in April were presented for formal consideration.

About a week after the resumption of the conversations on disarmament, the American delegation,¹ which was not obliged to divide its time between Geneva and Lausanne, seems to have come to the conclusion that adequate progress was not being made, and that the French attitude, in particular, was not satisfactory. The delays and difficulties which were being encountered at Geneva were a matter of special concern to the Administration at Washington. Mr. Hoover's genuine interest in the progress of the Disarmament Conference was stimulated, no doubt, by the knowledge that a success which could be attributed to an American initiative would redound to his credit in the approaching presidential election; and for some weeks past he was believed to have been turning over in his mind the desirability of launching a new proposal at Geneva, which might serve to turn the discussions into more fruitful channels. When the American delegation reported that the meetings of the Disarmament Conference had been suspended in order to allow of private negotiations, and that those negotiations did not seem likely to produce any immediate result, Mr. Hoover decided that the moment had come

thereafter had carefully refrained from formulating a claim to the 'levelling-up' of German armaments as an alternative to a general 'levelling-down'; but the trend of German opinion on the matter was too well known to leave any doubt that the Disarmament Conference would be required, sooner or later, to choose between those alternatives.

¹ Although the American delegates played an important part in the private conversations, they were not by any means in favour of an indefinite postponement of the full meetings of the Conference. At the end of May Mr. Gibson had called on Mr. Henderson and had urged upon him the desirability of continuing the labours of the Conference without interruption until concrete results had been obtained. In this respect, the attitude of the American delegates was not far removed either from that of the Italians, who resented their virtual exclusion from the private conversations and who were therefore anxious for the resumption of general discussions, or from that of the small-Power group which considered that the Great Powers were assuming prerogatives which belonged to the Conference as a whole.

for an attempt to lift the Conference out of the Slough of Despond and to set it upon a new path.

On the 21st June a meeting took place at Morges between Mr. Hugh Gibson and Monsieur Herriot which, by its attendant circumstances and the mystery which surrounded it, recalled the famous meeting between Monsieur Briand and Herr Stresemann at Thoiry in September 1926.¹ The information which leaked out regarding this conversation was to the effect that Mr. Gibson had referred to the probability that the United States would be expected, as a result of the Lausanne Conference, to make sacrifices in the matter of War Debts, and had pointed out that such sacrifices would not be accepted by American public opinion as long as the debtor states failed to reduce their expenditure on armaments. Mr. Gibson was also said to have informed Monsieur Herriot that the announcement of a 'Hoover Plan' for disarmament was to be expected immediately; and in point of fact the announcement was made on the following day, the 22nd June.

A meeting of the General Commission of the Disarmament Conference was unexpectedly summoned on the 22nd,² in order that Mr. Gibson might lay Mr. Hoover's proposals before his colleagues.³ The plan was made public simultaneously in the United States (by the President in person) and in the principal European capitals. Mr. Hoover explained his reason for putting forward new proposals by recording his opinion that the time had come—

when we should cut through the brush and adopt some broad and definite method of reducing the overwhelming burden of armament which now lies upon the toilers of the world. This would be the most important world step that could be taken to expedite economic recovery. We can add to the assurances of peace and yet save the people of the world from ten to fifteen billions of wasted dollars during the next ten years.

Mr. Hoover prefaced his concrete proposals by the following statement of principles:

First: the Briand-Kellogg Pact to which we are all signatories can only mean that the nations of the world have agreed that they will use

¹ See the *Survey for 1927*, pp. 109-14.

² The representatives of five small Powers had called on Mr. Henderson on the 21st to inquire when a meeting of the General Commission was likely to be summoned. They were told that no meeting could be expected until about the 1st July. The convening of the General Commission for the following day, as the result of a communication made by Mr. Gibson to Mr. Henderson on the evening of the 21st, therefore caused general surprise.

³ The text of the Hoover Plan is printed on pp. 259-60 of vol. i of the collected *Documents*.

their arms solely for defence. Second: This reduction should be carried out not only by broad general cuts in armaments but by increasing the comparative power of defence through decreases in the power of the attack. Third: The armaments of the world have grown up in mutual relation to each other. And, speaking generally, such relativity should be preserved in making reductions. Fourth: The reductions must be real and positive. They must effect economic relief. Fifth: There are three problems to deal with—land forces, air forces and naval forces. They are all interconnected. No part of the proposals which I make can be disassociated one from the other. Based on these principles, I propose that the arms of the world should be reduced by nearly one-third.

In regard to land forces, Mr. Hoover proposed that the offensive character of armaments should be reduced by 'the abolition of all tanks, all chemical warfare, and large mobile guns'. He suggested 'that there should be a reduction of one-third in the strength of all land armies over and above the so-called police-component'—that is, the strength required for the maintenance of internal order. This 'police-component' would be determined by the criterion established in the Peace Treaty, which had assigned to Germany, for instance, 100,000 troops for a population of approximately 65,000,000 people. In putting forward this formula, Mr. Hoover allowed for 'necessary corrections for Powers having colonial possessions'. The additional force over and above the 'police-component', which would be subject to the proposed reduction of one-third, would have the function of defending the national territory against foreign attack, and was therefore named by Mr. Hoover the 'defence component'.

Mr. Hoover's proposals in regard to the air forces dealt only with military and naval aircraft and ignored the problem of civil aviation. He suggested the abolition of 'all bombing-planes'. This measure, he thought, would 'do away with the military possession of types of planes capable of attacks upon civil populations'; and he proposed that it should be 'coupled with the total prohibition of all bombardment from the air'. For the naval forces, the Treaties of Washington and London were taken as the basis, and reductions of one-third were proposed in the treaty number and tonnage of battleships and in the treaty tonnage of submarines—subject to the condition that no nation should retain a submarine tonnage in excess of 35,000 tons.¹ A reduction of one-fourth was suggested in the treaty tonnage of

¹ Mr. Gibson elaborated this stipulation in the explanatory comments on Mr. Hoover's proposals which followed his reading of the plan itself. The intention was that no nation, whether a party to existing naval treaties or not, should be allowed to retain a total submarine tonnage of more than 35,000 tons or more than 40 submarine units, and that the maximum size of a single vessel should not exceed 1,200 tons.

aircraft carriers, cruisers and destroyers.¹ For the purpose of his proposal, Mr. Hoover suggested that 'the French and Italian strength in cruisers and destroyers be calculated as though they had joined in the Treaty of London on a basis approximating the so-called accord of the 1st March, 1931'. Mr. Gibson, in a supplementary statement, pointed out that the programme which President Hoover suggested called for considerable sacrifices from the five Principal Naval Powers, and it seemed 'evident that the other Powers should here agree to corresponding sacrifices through the reduction or limitation of their naval armaments'. The United States Government were prepared, for their part, 'to scrap over 300,000 tons of existing ships and to forgo the right to build over 50,000 tons'. In land material Mr. Hoover's proposal would 'affect over one thousand heavy mobile guns and approximately 900 tanks, and in aviation about 300 bombardment airplanes'.

The 'Hoover Plan', as Mr. Gibson remarked, was 'clear, self-contained, and comprehensive'. It was in accordance with the trend of the debates at Geneva, for it incorporated features—such as the prohibition of air bombardment and of certain types of weapons—which had been suggested by several delegations (including the American) during the opening debate and which had found general favour. The proposal for the limitation of effectives was also a development of an idea which Mr. Gibson had outlined during the discussions in the plenary session of the Conference,² but in order to meet difficulties which had been raised by certain Powers provisions were introduced which would maintain the existing relativity of strength and would make allowance for Powers with colonial possessions. As befitted a naval Power, the most detailed part of the plan

¹ Mr. Gibson explained that the reduction in cruiser strength would be calculated on the existing total tonnage of the United Kingdom under the London Treaty (330,000 tons) and that the total tonnage in 8-in. cruisers would be limited to 150,000 tons for the United States and Great Britain, and 90,000 tons for Japan.

² See p. 203 above. Proposals on the lines of those incorporated in the Hoover Plan had been worked out in considerable detail some time before the announcement of the plan. It will be remembered that Mr. Gibson in his speech of the 9th February (see p. 203 above) had already drawn the distinction between the 'police force' and the supplementary force required to defend national territory against external aggression. In submitting their proposals to the Bureau in writing later in the month, the American delegation had pointed out that the Peace Treaties provided the only existing criterion for determining the proportion of the necessary police force to the population of a country. In March, a plan had been published in America in which criteria were suggested for the computation of all armed forces (that is, a colonial army and a home-defence force in addition to a police force), and the principles laid down were translated into figures applicable to different countries.

was that relating to naval armaments, and here it was specially noticeable that the abolition of the submarine, which Mr. Gibson had advocated in February, had given place to agreed reduction.

In its broad lines, Mr. Hoover's proposal for an all-round cut of one-third in armaments and effectives made a strong and immediate appeal to that section of the international public which had been watching the proceedings at Geneva with growing disappointment. Like the idea of qualitative disarmament, the Hoover Plan attracted the layman by its relative simplicity; but it remained to be seen whether the experts would find it practicable from the technical point of view. The American delegation had refrained—presumably of set purpose—from any attempt to prepare the way for the announcement of the new plan, and the somewhat lukewarm reception which was accorded by the General Commission to Mr. Gibson's statement perhaps reflected a certain amount of resentment against what was felt to be a typically American proceeding¹ as well as the customary caution of statesmen when presented with new proposals.

The only representative of a Great Power who expressed immediate and unqualified approval of the Hoover Plan was Signor Grandi, who was able to announce that Italy accepted the plan 'entirely and in all its parts', and that this acceptance was 'complete and unconditional'. Sir John Simon welcomed 'the breadth of view taken of the disarmament problem in President Hoover's communication', but in so far as he touched on the details of the plan his attitude was critical. In regard to naval armaments, in particular, he doubted whether the American proposals were 'in some respects adequate and in other respects appropriate to the varying circumstances of the different naval Powers'. Monsieur Paul-Boncour thought that the proposals 'were so attractively simple that they might appear to be too simple in view of the complexity of certain problems', and he asked that the French proposals with regard to international security should be studied side by side with the Hoover Plan. Monsieur Litvinov welcomed Mr. Hoover's suggestions 'because to some extent they proceeded along the same lines as the Soviet proposals which were not accepted'—in particular, because they incorporated 'the objective

¹ Resentment against a move which appeared to be an attempt to take the Conference by storm was certainly felt in France, where the equally sudden announcement of the Hoover Moratorium twelve months earlier had been neither forgotten nor forgiven. The French Right press was strongly critical of the proposals, which were considered dangerous, and while the comments of the Left press were more favourable, it was pointed out that the plan, though good as far as it went, did not attempt to deal with some of the most important and most controversial aspects of the problem. In Italy the plan had a very good press.

method of proportional reduction'; but he noted that the Hoover Plan was 'in some respects different from the Soviet proposals', and in those respects he thought that they would require consideration. Herr Nadolny 'warmly approved the principle on which President Hoover's message was based', namely, the need for strengthening the defensive power of the nations and reducing their aggressive power. But in actual substance he thought that the proposals 'seemed very moderate', and he hoped that the Conference 'would find it possible to agree on still more vigorous and decisive measures in the matter of reductions'. His special reason for expressing this hope was that 'the more substantial the reductions the easier it would be to solve the problem of legal equality'. Mr. Matsudaira, for Japan, expressed appreciation of President Hoover's initiative, but reserved his Government's attitude in regard to the suggested uniform reduction in naval strength.¹

Before the preliminary expression of views by the representatives of the Great Powers,² Mr. Henderson had announced that the American proposals were not open for immediate discussion by the General Commission, but would form one of the subjects for examination in the course of the private conversations between the leading Powers. The General Commission was accordingly adjourned once more, while the informal three-Power conversations were resumed on a somewhat different basis. The attitude of the French representative towards the Hoover Plan had been sufficiently indicated by Monsieur Paul-Boncour's speech on the 22nd June. The effect that any proposals which were put before the Conference might have upon security was always the first consideration to present itself to French minds, and before committing themselves in any way the French Government were anxious to understand the implications of the Hoover Plan in terms of security. What line, for instance, might the Government of the United States be expected to take in the event of a breach of the Kellogg Pact, which Mr. Hoover had placed in the forefront of the

¹ The attitude of the Japanese military authorities, whose word was law at the moment, was expressed a few days later by the Minister for War, who declared that the application of a uniform rate of reduction was incompatible with the principle that reduction should not impair national security. The Japanese Navy also saw insuperable objections to the plan, and at the beginning of July the Japanese delegation was instructed that the Government did not regard Mr. Hoover's proposals as a practical basis for discussion.

² The only other delegate who spoke on the 22nd June was Señor de Madariaga, who declared that Spain was ready to approve the Hoover Plan in its entirety, though on certain points she wished to go still farther. Señor de Madariaga also took occasion to refer to the private conversations which were in progress, and to point out that the countries which were excluded from those conversations were anxiously awaiting their successful conclusion.

principles underlying his proposals? On this point Mr. Gibson could give Monsieur Paul-Boncour little satisfaction, for recent authoritative statements in the United States had made it clear that the Administration was not prepared to make political concessions in order to ensure the acceptance of the Hoover Plan. The American view was that the adoption of the plan would in itself provide a sufficient guarantee of French security by maintaining existing relative strengths, while it would at the same time go far towards meeting the grievances of Germany. American participation in schemes for guaranteeing European security, or even in pacts for consultation, could not be expected; though there was no reason to anticipate that the practice of consultation which had been adopted during the Sino-Japanese crisis would not be followed in future emergencies.

Some light was thrown on the attitude of the British Government towards Mr. Hoover's proposals by a statement which Sir John Simon made in the House of Commons at Westminster on the 27th June. He indicated again that the suggestions regarding naval armaments were not acceptable to the British Government; nor were they disposed to agree to the complete prohibition of tanks. Detailed examination of the American proposals would involve communication with the Dominions, but the consultations between the members of the British Commonwealth would not be confined to the subject of the Hoover Plan. If they proceeded satisfactorily the Government of the United Kingdom might be in a position to put forward new proposals which would be more sweeping, in some respects, than those of the United States.

The outcome of these British negotiations was the issue of a 'Statement of the views of His Majesty's Government in the United Kingdom regarding the proposals contained in President Hoover's Declaration'.¹ This statement, which was communicated to the House of Commons at Westminster on the 7th July and was made public simultaneously at Geneva, constituted in effect a set of alternative proposals; for the points in the Hoover Plan which the British Government were ready to accept were few in comparison with the points which seemed to them to need substantial modification. The largest measure of common ground was in the realm of land armaments. The British Government cordially welcomed the proposal that chemical and bacteriological warfare should be prohibited, and they were in general agreement with the American proposals in regard to land guns. In regard to tanks they did not favour general prohibi-

¹ The text is printed on pp. 265-8 of vol. i of the collected *Documents*.

tion, which would involve an increase in land forces in terms of man-power, but advocated the abolition of all tanks above a weight of 20 tons. The proposal for a division of land forces into a 'police component' and a 'defence component' would, they felt, need careful examination, the result of which would probably show that British forces 'had already been reduced substantially below the number recognized to be necessary for the maintenance of internal order'.

In regard to the air proposals, the British Government put forward the following proposals as a programme on which agreement might be reached:

(i) The complete prohibition of all bombing from the air, save within limits to be laid down as precisely as possible by an international convention. Attacks upon the civilian population would be entirely prohibited.

(ii) A strict limitation in the unladen weight of all military and naval aircraft (troop carriers and flying boats excepted).

(iii) A restriction in the numbers of all kinds of military and naval aircraft.

In this connexion, the British Government pointed out that the British Air Force had already been very greatly reduced, although Great Britain, 'more than any other Power', relied upon aircraft 'to discharge her mandatory duties and to police and control undeveloped regions'.

It was in the field of naval armaments that the proposals of the British Government diverged most widely from those of the United States. The British preference was for a reduction in the size of individual units rather than for a clean cut in total tonnage, since 'the widely scattered responsibilities of the British Navy' made it impracticable 'to cut down the number of naval units beyond a certain point'.¹ In pursuance of this idea, the British Government put forward the following proposals 'for immediate adoption by international agreement'.

¹ In defence of the British attitude it was pointed out that the United States had not yet built her Navy up to Treaty strength, so that the proposed scrapping of tonnage would fall much less heavily on her than on Great Britain. On the other hand, the Americans could argue that their proposals would result in an immediate and substantial financial saving, whereas the British proposal for reducing the size of ships would only come into effect on replacement and would therefore produce little or no reduction in cost for some years. Comparative figures which were published in the press after the issue of the British statement showed that under the British plan the total saving on British naval construction up to the end of 1936 would amount to about £20,000,000 (if submarines were abolished), whereas the saving under the Hoover Plan would be about £42,000,000.

(1) Reduce the maximum size of any future capital ship to 22,000 tons, and the maximum calibre of the guns carried to 11 inches.

(2) Reduce the maximum size of cruisers hereafter constructed to 7,000 tons, and maximum calibre of guns to 6.1 inches.

(3) If international agreement on point (2) cannot be secured, the Government of the United Kingdom would still urge that the maximum size of capital ships should be reduced to 25,000 tons and their guns to 12 inches as a maximum.

(4) Reduce the maxima for aircraft carriers to 22,000 tons with 6.1-inch guns.

(5) Abolish submarines.

(6) Reduce destroyer tonnage by approximately one-third, this depending on the abolition of submarines.

(7) If submarines cannot be completely abolished, fix their maximum surface displacement at 250 tons, with a strict limitation both of total tonnage and number of units.

Whilst this British statement was being prepared, the informal three-Power conversations had been proceeding intermittently at Geneva. The object was still to define and if possible enlarge the common ground between the United States, France and Great Britain, in order that an agreed programme might be presented to the Conference as a whole. If the American delegates had hoped that the Hoover Plan might serve as such a programme, they were soon undeceived, and the discussions appear to have resolved themselves into a search for points on which all the nations represented at the Conference were more or less in agreement. The time was rapidly approaching at which the Conference would have to be adjourned for a summer vacation, and it was felt to be desirable that the delegates should be able to produce some concrete result of their labours before they dispersed to their respective countries. On the 5th July, the representatives of the United States, Great Britain and France reported to the Bureau that, in their opinion, a stage had been reached at which a certain measure of agreement would be possible on various points. This view was not accepted without demur by certain other members of the Bureau—notably by the representatives of the U.S.S.R. and of Germany, who felt that the results so far achieved were insignificant. The Bureau finally decided to ask Sir John Simon to draw up a report on the points on which he thought agreement was possible, in order to provide a basis for a resolution which would be drafted by Dr. Beneš, as *Rapporteur* of the General Commission, and which would place on record such progress as had been made during the past five or six months. The Bureau also decided to summon a meeting of the General Commission on the 7th July, in order that the delegates of the smaller Powers,

who had not joined in the discussion on the Hoover Plan on the 22nd June, might have an opportunity of expressing their views.

The general discussion on the Hoover Plan occupied three sessions of the General Commission, on the 7th and 8th July. The British proposals were circulated on the 7th July,¹ and a few incidental references to them were made by speakers during the second day of the debate; but in the main the delegates confined themselves to the Hoover Plan. Generally speaking, the attitude of the smaller Powers was much more enthusiastic than that of the Great Powers. Among the speakers who accepted the proposals without reservation were the representatives of three Latin-American states (Mexico, Cuba and the Dominican Republic) whose relations with the United States had not always been happy in the past. Other speakers gave the plan their full adherence on the understanding that it was not to be regarded as representing the maximum achievement at which the Conference should aim. When the general debate came to an end on the 8th July, it was clear that a majority of the states represented at the Conference were in favour of accepting the American proposals more or less as they stood, but that the minority was sufficiently powerful to block the way to general agreement on the lines laid down by Mr. Hoover.²

On the following day (the 9th July) the final act of the Lausanne Conference was signed,³ and the Ministers of the leading Powers were

¹ The circulation of the British proposals at this moment make an unfortunate impression, since it appeared to be an attempt to diminish the effect of the small Powers' chorus of approval of the Hoover Plan.

² Mr. Gibson told representatives of the press on the 9th July that 34 delegations had shown themselves in favour of the Hoover Plan. Among 12 other states which he mentioned as having reserved their opinion or not declared themselves were Japan, France, Poland and the Little Entente countries.

³ See the present volume, Part II, section (i). In addition to the five instruments which made up the Lausanne Reparations Agreement, a declaration was drawn up and signed on behalf of France and Great Britain which had a direct bearing upon the proceedings at Geneva. This Anglo-French declaration was explained by Sir John Simon in the House of Commons at Westminster on the 13th July as an attempt to give definite form to the conception that European problems as a whole should be dealt with in a spirit of candour and mutual assistance. The two Powers undertook to exchange views in accordance with the spirit of the League Covenant and to co-operate in finding a solution of the disarmament question and in careful and practical preparation for the World Economic Conference. The co-operation of other interested Powers in these respects was invited, and the declaration was communicated immediately to Germany, Italy and Belgium, with an invitation to those Powers to associate themselves with it. As between France and Great Britain it was also agreed that pending the conclusion of a new commercial treaty anything in the nature of discrimination should be avoided. The Governments of Belgium and Italy accepted without delay the invitation to adhere to the

free thereafter to devote a greater proportion of their time to the Disarmament Conference. During the next fortnight the activities of the delegations at Geneva centred round the preparation of a draft resolution which would sum up the work of the Conference during its first phase. Sir John Simon's first draft was in the hands of Dr. Beneš within a few days, and the *Rapporteur* then proceeded, in consultation with other delegates, to carry out the difficult task of drawing up a resolution which could be accepted by the exponents of many different points of view. Practically all the Powers, or groups of Powers, had suggestions to make, which were often mutually incompatible. The German delegation, for instance, urged that the resolution should declare that the Conference had accepted the German thesis that there must be equality of status in armaments. The French wanted some explicit reference to the necessity for establishing a comprehensive system of security. The Americans would have liked the definite acceptance of the Hoover Plan to be placed on record; while the Russians proposed amendments which would have altered the whole character of the draft. Perhaps the most constructive criticisms came from eight Powers who had recently formed themselves into a group, on the invitation of Spain, and who had been engaged in informal conversations with the object of developing a common policy.

The original motive for the formation of this group, which consisted of the delegates of Spain, Norway, Sweden, Denmark, the Netherlands, Belgium, Switzerland and Czechoslovakia, was to be found in the suspicion and resentment with which many of the smaller Powers regarded the private conversations between Great Powers.¹

By the end of June, the eight-Power discussions had already revealed a large measure of agreement on such points as the abolition of 'aggressive' armaments and the necessity for control over the private manufacture of arms, and the group had made representations to Mr. Henderson in favour of the resumption of general public discussion at the earliest possible moment.² Since Dr. Beneš was himself a member of the eight-Power group, it was not difficult for the other members to use their influence in the direction of strengthening the resolution which the *Rapporteur* had been instructed to draft. After prolonged discussion a text was at length produced which the declaration. The German Government, after making inquiries as to the nature and scope of the declaration, accepted the invitation to adhere on the 25th July, and the majority of the other European states had also adhered by the end of July.

¹ See p. 235 above.

² See p. 239 above, footnote.

eight-Power group was prepared—though reluctantly—to accept as the best that was obtainable for the time being, and which was also more or less satisfactory to the majority of the other Powers—though not to all of them.¹ This text was submitted to the General Commission by Dr. Beneš on the 20th July.²

The resolution was divided into five parts, the first of which constituted the preamble, while the other four were headed respectively 'Conclusions of the First Phase of the Conference'; 'Preparation of the Second Phase of the Conference'; 'General Provisions'; and 'Armaments Truce'. The preamble recalled the Conference's previous resolutions; declared that it was 'firmly determined to achieve a first decisive step involving a substantial reduction of armaments, on the basis of Article 8 of the Covenant of the League of Nations, and as a natural consequence of the obligations resulting from the Briand-Kellogg Pact'; and welcomed heartily 'the initiative taken by the President of the United States of America in formulating concrete proposals for a substantial reduction of armaments'. The preamble concluded by recording the unanimous decision of the Conference, 'guided by the general principles underlying President Hoover's declaration, (1) that a substantial reduction of world armaments shall be effected, to be applied by a General Convention alike to land, naval and air armaments; (2) that a primary objective shall be to reduce the means of attack'.

The second and most important section of the resolution, which summarized the results obtained by the Conference during four and a half months' work, must be quoted in full.³

The Conference, noting that agreement has now been reached on a certain number of important points, decides, without prejudice to more far-reaching agreements hereafter, to record forthwith the following concrete measures of disarmament, which should form part of the general Convention to be concluded. The Conference also decides to establish certain principles as the basis for further reductions of armaments, and to determine the procedure necessary for the active prosecution of its work.

1. *Air Forces.*

The Conference, deeply impressed with the danger overhanging civilization from bombardment from the air in the event of future

¹ The principal malcontents were Germany, Italy and the U.S.S.R. (see pp. 254-6 below).

² The full text of the resolution is printed on pp. 268-71 of vol. i of the collected *Documents*.

³ The text here reproduced was that which was adopted on the 23rd July. It differed from that presented by Dr. Beneš on the 20th in only one small point—the omission of the words 'the potential use of' before 'bombardment from the air' in the first sentence under the heading 'Air Forces'.

conflict, and determined to take all practicable measures to provide against this danger, records at this stage of its work the following conclusions:

1. Air attack against the civilian population shall be absolutely prohibited.

2. The High Contracting Parties shall agree as between themselves that all bombardment from the air shall be abolished, subject to agreement with regard to measures to be adopted for the purpose of rendering effective the observance of this rule.

These measures shall include the following:

(a) There shall be effected a limitation by number and a restriction by characteristics of military aircraft;

(b) civil aircraft shall be submitted to regulation and full publicity. Further, civil aircraft not conforming to the specified limitations shall be subjected to an international régime (except for certain regions where such a régime is not suitable) such as to prevent effectively the misuse of such civil aircraft.

2. *Land Armaments.*

(a) *Land Artillery.*

1. All heavy land artillery of calibres between any maximum limit as determined in the succeeding paragraph and a lower limit to be defined shall be limited in number.

2. The limitation of calibre of land artillery shall be fixed by the Convention.

Subject to an effective method being established to prevent the rapid transformation of guns on fixed mountings into mobile guns, different maxima for the calibre of land guns may be fixed as follows:

(a) A maximum limit for the calibre of coastal guns, which shall not be less than the maximum calibre of naval guns;

(b) a maximum limit for the calibre of guns in permanent frontier or fortress defensive systems;

(c) a maximum limit for the calibre of mobile land guns (other than guns employed for coastal defence).

(b) *Tanks.*

The maximum unit tonnage of tanks shall be limited.

3. *Chemical, Bacteriological and Incendiary Warfare.*

Chemical, bacteriological, and incendiary warfare shall be prohibited under the conditions unanimously recommended by the Special Committee.

4. *Supervision.*

There shall be set up a Permanent Disarmament Commission with the constitution, rights and duties generally as outlined in Part VI of the draft Convention submitted by the Preparatory Commission for the Disarmament Conference, with such extension of its powers as may be deemed by the Conference necessary to enable the Convention to be effectively applied.

In the third section—'Preparation of the Second Phase of the Conference'—the Bureau was requested to continue its work during the period of adjournment of the General Commission, and was entrusted with the task of framing 'draft texts concerning the questions on which agreement has already been reached'. Other points which called for detailed examination would also be studied by the Bureau or by the appropriate committees, in order that definite conclusions might be reached as soon as the General Commission reassembled. Certain questions were specially indicated for such examination. The decision of the Conference that 'a strict limitation and a real reduction of effectives shall be brought about' was recorded, and the Bureau was invited 'to examine, with the collaboration of such delegations as it considers necessary, the proposal of President Hoover relating to effectives'. The Conference also recorded its intention, on the resumption of its labours, of deciding 'what system of limitation and publicity of expenditure on national defence will provide the peoples with the best guarantee of an alleviation of their financial burdens, and will prevent the measures of qualitative and quantitative disarmament to be inserted in the convention from being neutralized by increases or improvements in authorized armaments'. In this connexion the Committee on National Defence Expenditure and its technical committee were instructed to continue and complete their work and submit their report as soon as possible. The Bureau was asked to set up another special committee to submit proposals 'in regard to the regulations to be applied to the trade in private and State¹ manufacture of arms and implements of war'. The Conference decided that 'rules of international law shall be formulated in connexion with the provisions relating to the prohibition of the use of chemical, bacteriological and incendiary weapons and bombing from the air, and shall be supplemented by special measures dealing with infringement of those provisions'.

The problem of naval armaments was to be dealt with in the first place by the method of private conversations. The Powers which were parties to the Naval Treaties of Washington and London were invited 'to confer together and to report to the General Commission, if possible before the resumption of its work, as to the further measures of naval reduction which might be feasible as a part of the general programme of disarmament'. The other naval Powers were

¹ The words 'and State' were inserted during the discussion on the suggestion of the Spanish delegate, who put forward the amendment in the name of the eight-Power group and of six other states.

also invited 'to make arrangements for determining the degree of naval limitation they are prepared to accept in view of the Washington and London Treaties and the general programme of disarmament envisaged in the present resolution'.

In regard to the future work of the Conference, it was decided that the Bureau should keep the delegations informed of the progress of the work pending the resumption of the meeting of the General Commission, which was to take place not later than four months after the resumption of the work of the Bureau. The date of the meeting of the Bureau was fixed for the week beginning the 19th September, 1932.

The last two sections of the resolution were brief. Under the heading 'General Provisions', the resolution was declared in no way to prejudge 'the attitude of the Conference towards any more comprehensive measures of disarmament or towards the political proposals submitted by various delegations'. Under the heading 'Armaments Truce', the Conference recommended the Governments to renew for a period of four months from the 1st November, 1932, the truce which had come into force for one year on the 1st November, 1931,¹ 'in order to ensure that, pending the resumption of the meetings of the General Commission and during the second phase of [the Conference's] work, no steps shall be initiated by any Power which might prejudice the preparation of the General Disarmament Convention'.

In submitting this resolution to the General Commission on the 20th July, Dr. Beneš frankly admitted its imperfections. It represented a compromise between the many different points of view which had been expressed to him during the past fortnight—a compromise which had only been reached by means of mutual concessions and sacrifices. The result, he was aware, had not satisfied all his colleagues, and was likely to give rise to criticism both in the Conference and outside it. He himself wished that it had been possible to go farther, but he believed that the text which he laid before the Commission represented 'roughly... the mean of the ideas, convictions, and interests' of the various delegations, and it was as such that he recommended it for acceptance.

The somewhat apologetic tone of Dr. Beneš's explanatory statement was reflected in the debate which followed, and which was interesting because it showed clearly that the resolution was considered by the majority of the speakers to represent a minimum and not a maximum level of achievement. The delegates who disapproved

¹ See the *Survey for 1931*, p. 296.

of the resolution did so, not because its provisions were too drastic for them, but because they felt them to be inadequate. It was generally agreed that the only real advance recorded in the resolution was in respect of the prohibition of air bombardment. The provisions regarding chemical and bacteriological warfare were satisfactory, but they went little farther than the Protocol of 1925;¹ while the establishment of a Permanent Disarmament Commission was one of the few questions on which the Preparatory Commission for the Conference had managed to agree.² In other respects, the terms of the resolution were felt to be too vague to be of any great value.

Though only a small minority of the delegates were definitely opposed to the adoption of the resolution, most of those who were prepared to accept it made it clear that they did so with reluctance, and only on the understanding that the Conference would not fail to consider more radical and definite measures of disarmament when it reassembled in the autumn. This was the attitude of the eight-Power group, and indeed of most of the smaller Powers; and it was also the attitude of the American delegation. Mr. Gibson made his standpoint clear before the Commission began to consider the resolution paragraph by paragraph.

Naturally [he said] he would have preferred a resolution accepting still more definitely the details of the President's plan, but his delegation felt that the resolution before the Commission contained the maximum of agreement which could at present be achieved and offered the best hope of eventual attainment of the goal in view. For this reason, it did not hesitate to support the resolution, realizing that it contained nothing to preclude the United States delegation from pressing at later stages for more definite and far-reaching measures.

Of the other Great Powers, Great Britain and France supported the resolution (though Monsieur Herriot drew attention to the sacrifice which the French delegation had made in consenting to the omission of any direct reference to the French views on security).³ It was also accepted by Japan, with the reservation that the question

¹ See footnote on p. 231 above.

² See the *Survey for 1930*, pp. 116-17 and 123.

³ Monsieur Herriot's speech also contained a reference to the question of equality of status which was important because it indicated the lines on which a settlement of that question was reached in December. 'It is of course understood', he said, 'that we do not demand security for ourselves alone. That guarantee we desire for all the nations, great or small, for ex-enemies as well as for ex-allies. We are of the opinion that it may afford the solution of political problems which cannot be settled independently of it. At the moment when an international organization, based on the Covenant and in accordance with its principles, is set up, the question [of equality of rights] will be greatly facilitated.'

of the prohibition of air bombardment required further examination. The resolution was opposed by Italy, Germany and the U.S.S.R. The Italian delegate, General Balbo,¹ announced at an early stage of the discussions that he should not vote against the resolution, because he did not wish to prevent the attainment of unanimity, but that he would abstain from voting either on the different parts or on the resolution as a whole. His reason for this course was that 'the formulation of principles, inadequate in themselves, was not enough, and no marked progress had been made towards the effective attainment of disarmament'.

Herr Nadolny also announced at the beginning of the debate that he should abstain from voting on the details of the resolution, and would reserve his observations until the close of the discussion, when the resolution as a whole was put to the vote.² It fell to Monsieur Litvinov to undertake the thankless task of attempting to persuade the majority of the delegates to accept proposals which would be more in keeping than Dr. Beneš's resolution with the principles and policy which the Soviet delegation had consistently advocated.

Monsieur Litvinov moved a series of drastic amendments to the resolution. His first proposal was that the last paragraph of the preamble³ should be replaced by the following text:

[The Conference] decides that a reduction of existing armaments by not less than 33 $\frac{1}{3}$ per cent. shall be effected in respect of all categories of land, naval, and other armaments, with exemption for small countries respectively possessing armies of not above 30,000 men and a total naval tonnage of not above 100,000 tons, and also for countries which have been subjected to disarmament in virtue of other international agreements.

When this amendment was put to the vote it was defeated by thirty votes to five,⁴ with sixteen abstentions. Subsequent Russian amendments called for the complete prohibition of all aerial bombardment and the abolition of all bombing aircraft; the destruction of heavy land artillery and the limitation of the calibre of mobile land guns to 100 millimetres; and the abolition of tanks. These were all rejected

¹ Signor Grandi, who had acted hitherto as leader of the Italian delegation, was no longer the Foreign Minister in the Italian Government. His resignation, together with that of several other Ministers, had been announced on the previous day (the 20th July). Signor Grandi's retirement was widely attributed to his failure to win general approval for the proposals which the Italian Government had put forward at Geneva and at Lausanne, and also to his exclusion from the private conversations between the Great Powers.

² See p. 255 below.

³ See p. 249 above.

⁴ The four countries which supported Monsieur Litvinov were Albania, Colombia, Lithuania, and Turkey. The abstentions included Germany and the other 'ex-enemy' countries as well as Italy.

by an equally large majority. The paragraph of Dr. Beneš's resolution which related to land artillery aroused more general criticism than any other, and although it was finally adopted by thirty-two votes to eight, with ten abstentions, it was significant that the states which voted against it included Denmark, Norway, the Netherlands and Sweden.

In the discussion on Part III of the resolution (preparation for the second phase), the opinion of a number of delegates who objected to the degree of authority which would be vested in the Bureau (a body composed of the representatives of only fourteen Powers) was expressed by the Hungarian delegate. Count Apponyi moved an amendment which would have enabled any delegation which so desired to participate in the work entrusted to the Bureau 'on a footing of complete equality of rights'. This amendment was rejected by twenty-four votes to ten.

By the afternoon of the 22nd July the various parts of the resolution had all been adopted by majority votes, and it remained for the resolution as a whole to be put to the vote. Herr Nadolny now seized the opportunity to make his declaration setting forth the views of the German Government. He laid stress on the endeavours of the German delegation 'to collaborate loyally and with all' their 'might in the work of disarmament'. He and his colleagues had taken part in the work of the Conference on the assumption that the principle of equality of rights would be recognized; and when the resolution was under discussion between the various delegations Herr Nadolny had proposed 'a formula based on the letter and spirit of Article 8 of the Covenant'. To his great regret, he found 'that unanimous agreement on this point could not be obtained'. Since Germany would 'never be able to affix her signature to a Convention which' was 'not based on the principle of equal rights', the German delegation was unable, in spite of all its goodwill, to accept the resolution. The attitude of the German Government in regard to the future work of the Conference was explained in a declaration which Herr Nadolny read to the General Commission:

The German Government is prepared to continue its collaboration in the work of the Disarmament Conference so as to contribute to the greatest possible extent to the efforts made with a view to a really decisive step towards general disarmament in accordance with Article 8 of the Covenant. Nevertheless, its collaboration is only possible if the subsequent work of the Conference is based on a clear and definite recognition of the equality of rights between nations.

Equality of rights is the fundamental principle upon which the League of Nations and the community of States in general is founded. If the

Conference wished to establish rules and principles for the general disarmament of States, at the same time excluding Germany or other States from those general rules and principles and subjecting any State to discriminatory treatment, such an attitude would not be compatible with sentiments of national honour and international justice. It would also be contrary to Germany's contractual rights, which she could not renounce. The German Government finds, to its profound regret, that the present resolution does not take these views into account. The work of the first phase of the Conference, and particularly the conversations during the last few days, have, on the contrary, conveyed the impression that this essential condition is not yet understood, or not yet admitted, by all Governments. The German Government considers that this uncertainty in regard to one of the fundamental questions of the problem of disarmament renders any useful work impossible. It must, therefore, urge that these doubts be eliminated by a recognition, without further delay, of the equality of all States in the matter of national security and the application of all the provisions of the Convention. In so far as the various questions arising out of the application of the principle of equal rights call for an explanation, the German Government is prepared to enter into negotiations immediately with the States concerned. However, the German Government must point out at once that it cannot undertake to continue its collaboration if a satisfactory solution on this point, which for Germany is a decisive one, is not reached by the time the Conference resumes its work.

Herr Nadolny was followed by Count Apponyi, who announced that the Hungarian delegation felt obliged to abstain from voting on the resolution because it would neither 'achieve . . . an appreciable and substantial reduction of armaments', nor would it 'eliminate the inequalities which at present exist in the international situation as a result of the Treaties of Peace'. Similar declarations were made by the representatives of the other 'ex-enemy' countries, Austria and Bulgaria. The representatives of Turkey and China also announced their intention of abstaining from voting: the former because his Government desired 'to retain entire freedom of action . . . until the time comes to consider the application of the principles and to perform the promises made in the draft'; the latter because, although he approved the resolution so far as it went, the Chinese Government was 'not able to engage itself in any manner or form of disarmament . . . unless and until the Sino-Japanese dispute' had been 'solved in accordance with the principles of the League' and to Chinese satisfaction.

After certain delegates, including Sir John Simon and Monsieur Herriot, had explained their reasons for supporting the resolution, and Monsieur Litvinov had explained once more his reasons for rejecting it (reasons which were summed up in his final declaration:

‘I vote for disarmament, but against the resolution’), the discussion was closed by Mr. Henderson. The President of the Conference left his colleagues in no doubt that he was far from satisfied with the result of the Conference’s labours and with the resolution in which those results were summed up.

I think [he said] I can claim to know something, not of the opinion of one part of the world, but of most of the countries represented in this Conference. The resolutions and other communications I have received have given me some idea of the strength of public opinion in favour of disarmament. . . . First of all, I received a considerable number of communications after the passing of the Simon resolution with regard to qualitative disarmament and to the need for completely abolishing aggressive weapons. When the President of the United States of America made his declaration, I received nothing short of a flood of communications supporting the President’s proposals. I have also received a very considerable number of resolutions in favour of the point so strongly urged yesterday by M. Nadolny—the equal rights of States. When I come to examine the resolution, I must admit that, having all this in mind, I find it very far short of what I should have liked it to be.

Nevertheless, Mr. Henderson believed that the Conference had started ‘upon the right road to disarmament’ now that it had accepted a resolution putting it on record that practically all the nations of the world were firmly determined to adopt measures for the ‘substantial reduction of armaments’. He was prepared ‘to trust all the representatives who vote for the resolution to come to Geneva in the autumn with the determination that we shall have a great gathering in, and that our work will terminate in a general convention which will secure a substantial reduction of world armaments’.

The resolution was then put to the vote, and was adopted by forty-one votes to two, with eight abstentions. The two votes which were cast against it were those of Germany and the U.S.S.R., the eight abstaining states were Afghanistan, Albania, Austria, Bulgaria, China, Hungary, Italy and Turkey.

Thereupon the General Commission transformed itself into a plenary session of the Conference, in order that a separate vote might be taken on the proposal for prolonging the armaments truce which was incorporated in the resolution. This proposal, of course, was not open to the objection which certain states had felt against the other provisions of the resolution, and it was adopted unanimously, with the sole abstention of the Chinese delegate—whose reason for not accepting the truce had already been indicated.¹

¹ A separate invitation to each state represented at the Conference to agree to the prolongation of the armaments truce was subsequently despatched by Mr. Henderson. By the beginning of November forty-seven states had notified

(d) THE GERMAN CLAIM TO EQUALITY OF STATUS
(AUGUST TO DECEMBER, 1932)

The declaration which was made by Herr Nadolny to the General Commission on the 22nd July did not cause any great surprise at Geneva, for the attitude of the German delegation during the conversations which preceded the submission of Dr. Beneš's resolution to the General Commission had shown that the German Government had exhausted their patience and were determined to make a definite stand on the question of equality of status. Moreover, there could be no doubt that in this respect at least Herr von Papen's Government were genuinely representative of the great majority of the German people. Thus the delegates of the principal Powers left Geneva in the last week of July with the knowledge that the problem of German equality would have to be tackled seriously during the next few weeks if the Disarmament Conference were not to be foredoomed to sterility when it reassembled in the autumn.

The first move came from Germany, and it was not of a nature to facilitate the task of the statesmen who would be called upon to conduct the negotiations over the German claim. On the 26th July General von Schleicher, who had accepted the post of Minister of Defence in Herr von Papen's Government, and whose influence over the other members of the Cabinet was believed to be very strong, if not predominant, made a broadcast speech on the question of German armaments which was considerably more provocative in tone than the declaration made by Herr Nadolny at Geneva four days earlier. General von Schleicher's speech was intended in part as a reply to a statement which had been made by Monsieur Lamoureux, the *Rapporteur-Général* on the French Budget, in the course of a debate on the Budget in the Chamber on the 24th July. The parties of the Left in France had strongly criticized the military estimates, in particular those which provided for the cost of completing and maintaining the new chain of fortifications along the eastern frontier of France. In defending the estimates, Monsieur Lamoureux pointed out that these fortifications, which were proof against the heaviest and most efficient artillery, gave to France the fullest security against an invasion similar to that of 1914. General von Schleicher did not neglect the opportunity of contrasting the position of a disarmed

their acceptance, and the Bureau decided on the 4th November that the prolongation of the truce might be considered as effective from the 1st November. The states which agreed to the prolongation did not include Germany, and the French delegate at the meeting of the Bureau recalled the fact that his Government's acceptance of the truce in the first place had been conditional on its being observed by the French Republic's neighbours.

Germany with that of France, who was now, on her own showing, practically impregnable against attack, and who yet continued to plead at Geneva that she must have additional guarantees of security before she could consider any reduction of her forces. General von Schleicher went on to advance the German claim to equality of treatment as a right, in view of the failure of the other Powers to make any appreciable progress towards disarming themselves down to the German level. He dealt in particular with the urgent need for the reorganization of the Reichswehr, unhampered by the provisions of the Versailles Treaty, which made for unnecessarily high expenditure. He indicated that the German Government had no thought of rearming up to the French level, if only because of economic limitations, but that they desired to transform the Reichswehr into a more effective force, within the existing budgetary limits, by measures such as the reduction of the period of service. The reorganization of the Reichswehr on the lines suggested would, of course, eventually result in an increase in the number of trained effectives, but it had not been rejected on that account by the statesmen with whom Dr. Brüning had discussed it in April.¹ The suggestion had not been accepted by the French Government, however, even as a possible basis of discussion, and the manner in which General von Schleicher now put it forward was not likely to make it more acceptable to France. For, while General von Schleicher expressed the hope that the other Powers might agree to the course which he suggested, he made it clear that the German Government were prepared to take independent action in default of agreement.

General von Schleicher's speech appeared to prove that the nationalist and militarist revival which had brought the General and his colleagues into power had already begun to influence the foreign policy of Germany, and it was received in France with undisguised anxiety.² The concern of the French Government over the developments in Germany was increased by indications of a simultaneous

¹ See p. 225 above.

² The French Government made inquiries through diplomatic channels regarding the interpretation which was to be put upon General von Schleicher's speech, and were informed that the policy which he had outlined was the policy of the Government as a whole. On the 8th August, the *New York Times* published an interview with General von Schleicher, in the course of which he declared that a German delegation would not return to Geneva until the problem of equality had been solved in such a way that Germany had the same rights as other Powers. In an interview given to Reuter's correspondent on the 17th August, the Chancellor, in his turn, laid stress on the vital importance to Germany of equality in security and indicated that, if such equality were denied, Germany would take the necessary action as defined by the Minister of Defence.

change of temper in Italy. The discontent of the Italian Government with the proceedings at Geneva had been manifested by General Balbo's abstention from voting on the resolution of the 23rd July and by the resignation of Signor Grandi;¹ and within a few days of General von Schleicher's broadcast speech both General Balbo and Signor Mussolini published articles in the *Popolo d'Italia* which seemed, in French eyes at least, to point to the danger of concerted action between the German and Italian Governments against disarmament and against the League of Nations. General Balbo attacked the League as an institution which was entirely under the control of France, Great Britain and the United States, and hinted that Italy might find it advisable to leave the Disarmament Conference. Signor Mussolini, in his article, eulogized war and declared that Fascists did not believe either in the possibility or in the advantages of perpetual peace.

These circumstances were hardly propitious for the opening of negotiations on the German claim to equality of status. The German Government made certain overtures to the French Government, through diplomatic channels, early in August, but these evoked no response, and during the greater part of the month the German Government were too much preoccupied with urgent questions of internal politics² to be able to give much attention to foreign affairs. It was not until the end of August that any definite step was taken to initiate negotiations on the question of equality in armaments. On the 29th, Baron von Neurath, the German Foreign Minister, handed to the French Ambassador in Berlin an *aide-mémoire* setting out his Government's point of view on the armaments question.

In this document,³ the German Government expressed the opinion that 'a confidential discussion between the German and French Governments' was 'the best means of leading to an understanding'. If the French Government agreed to this course, the other Govern-

¹ See p. 254 above.

² Elections for the Reichstag were held on the 31st July, and resulted in the return of 230 National Socialists and only 37 Nationalists, on whom alone Herr von Papen could count for support. The first week of August was marked by a series of acts of terrorism which were attributed principally to the Nazis. This reign of terror formed the background to negotiations between Herr von Papen, General von Schleicher, and Herr Hitler with the object of securing Nazi participation in a reconstructed Government. These negotiations culminated in the interview between President von Hindenburg and Herr Hitler on the 13th August, at which the Nazi leader refused his collaboration unless he were appointed Chancellor of the Reich with complete control of the administration.

³ A translation of this document will be found in *Documents on International Affairs, 1932*.

ments mainly concerned would naturally be kept informed, and at a given time their co-operation in the negotiations would be enlisted. Germany could only accept a Disarmament Convention which took the place of Part V of the Versailles Treaty, so that 'in respect of its period of validity and of the legal position after its expiry, no differential provisions' would 'apply to Germany', but there was room for negotiation in regard to the material content of the Convention. While the German Government could not 'forgo a suitably expressed statement . . . of Germany's right to an armament level adequate to her national security', it was 'ready to content itself during the life of the first convention with certain modifications of its armaments'. The kind of measures which it contemplated were indicated as follows:

In the field of qualitative disarmament the German Government is ready to accept a ban on any weapon-category which applies to all States in equal measure. On the other hand, those weapon-categories which are not generally forbidden by the Convention must in principle be allowed to Germany. As to the military system, the German Government must claim for itself the right of all other States to shape this within the framework of the generally valid provisions so that it meets the needs as well as the economic and social characteristics of the country. This is a question first of organizational changes, such as the grading of the active service period for long-service men and freedom in the structure of the army; and, secondly, of the short-term training of a special militia for the purpose of maintaining internal order and frontier and coastal defence. The German Government would obviously take account of the financial situation of the Reich in its intended measures.

In conclusion, the German Government expressed the hope that the explanations which they had given would 'convince the French Government of the loyal and moderate character of the German intentions and open the way to an early understanding'.

This German *démarche* produced an unfavourable impression in France—the more unfavourable because it was followed immediately by further provocative utterances on the part of General von Schleicher. In an interview with the correspondent of the Italian paper *Resto del Carlino* on the 31st August, and in an article published in the *Heimatsdienst* on the 1st September, General von Schleicher poured scorn on the Disarmament Conference and declared once more that the necessary reorganization of the German forces would be carried out if the victor Powers continued to refuse the fulfilment of their promise to disarm. On the 6th September he gave an interview at Königsberg to press representatives who were attending Reichswehr manœuvres in East Prussia, in the course of which he remarked

that East Prussia was specially threatened by 'the enemy' and that Germany would 'in any case' do what was necessary for her national defence. He emphasized the words 'in any case' by a gesture, and repeated them in reply to a question, with the further explanation that Germany would not 'put up with being treated as a second-class nation any longer'.

In the light of these pronouncements,¹ it was hardly surprising that Monsieur Herriot should have felt the need for exercising caution. On the 3rd September he informed his Cabinet that, in accordance with the terms of the pact which had been concluded at the close of the Lausanne Conference,² he had communicated the gist of the German *aide-mémoire* of the 29th August to Great Britain and other signatories of the pact³ and that he did not intend to reply to the German Government for the moment, or to open direct negotiations in the manner suggested. By the 9th September, however, a draft reply had been prepared and had been handed to the British Government 'for information'.⁴ The text was approved by the French Cabinet on the 10th and was despatched to Berlin on the following day.

The French note contested the German thesis that the Disarmament Convention should replace Part V of the Peace Treaty, but the Government declared themselves ready to examine this question, as well as those relating to the material content of the convention, in co-operation with other interested Powers. The note referred to the evidence which General von Schleicher's statements afforded that

¹ French opinion was also moved by the increasing frequency of the militarist displays which were always a feature of German political life. The French press, for instance, devoted much space to a Stahlhelm review which took place in Berlin on the 4th September and which was attended by Herr von Papen and General von Schleicher.

² See p. 247 above, footnote.

³ It is not clear whether the French Government communicated the German note to all the states which had adhered to the Anglo-French declaration of Lausanne or only to those which were specially interested. The Polish Government were said to have made strong representations in Paris and to have opposed any concessions to the German demand for equality of status. On the other hand, the German Ambassador in Rome was reported to have had a long interview on the subject with Signor Mussolini, and on the 10th September the *Börsen Courier* published an article by Signor Mussolini in support of the German case.

⁴ A statement issued by the Foreign Office in Whitehall on the evening of the 9th September declared that, 'in view of certain statements to the contrary' which had appeared, it was 'necessary to make clear that the document was communicated, not for purposes of consultation, but of information'. The German note of the 29th August had similarly been communicated to the British Government 'for their information'. The implication of this statement was that the British Government did not wish to appear to have endorsed the terms of the French reply to Germany.

the German claim for equality was in fact a claim for rearmament.¹ The question of German rearmament would involve the question of rearming the other states in Central and South-Eastern Europe which were subject to the same régime as Germany, and it would also raise problems connected with the relative strength of the naval Powers. France could not negotiate alone on a problem of these dimensions. The German Government were reminded that Germany was bound by Article 164 of the Versailles Treaty not to change her military status without the approval of the Council of the League of Nations. The League alone, therefore, was competent to decide the questions raised by the German memorandum. In conclusion, the French note expressed the hope that it would be possible for France and Germany to eliminate the danger of a return to competition in armaments by co-operating in the organization of peace.

The French note thus contained a definite refusal to enter upon direct negotiations *à deux* with Germany on the German claim to equality, but it did not close the door to negotiation within the framework of the League of Nations. The note was not at all well received in Germany, where considerable resentment had been aroused by the action of the French Government in communicating the German *aide-mémoire* to the British Government, without asking the German Government's consent to this course. On the 16th September the German Foreign Minister informed the French Ambassador verbally that his Government observed with regret that the French note made no advance in any essential point towards the German standpoint. Germany was still ready, however, to enter into an exchange of views by means of diplomatic conversations.

Two days later, on the 18th September, there was published a statement of the views of His Majesty's Government in the United Kingdom on the questions arising out of the exchange of notes between the German and French Governments. The British Government considered it 'unfortunate that a political controversy of this magnitude should arise' at a moment when it was particularly 'necessary that attention and energy should not be diverted from efforts . . . to restore the productive and commercial prosperity of the world'. They admitted that the 'question of equality of status would

¹ There was, of course, a widespread belief in France that Germany had already succeeded in rearming herself to a substantial degree. At intervals during the year 1932 there were rumours that the Government intended to publish a 'secret dossier' which was in their possession and which was believed to contain details of Germany's illicit armaments. The existence of this dossier was referred to by Monsieur Herriot as well as by Monsieur Tardieu, but the threat of its publication was not carried into effect.

have arisen before the Disarmament Conference concluded its work', but they saw 'grave disadvantage in forcing it to the front at this stage. . . . In view of Germany's economic difficulties the initiation of acute controversy in the political field at this moment must be accounted unwise, and in view of the concessions so recently granted to Germany by her creditors it must be accounted particularly untimely.'

In regard to the substance of the German claim, the British Government desired 'to associate themselves with the opinion that it could not be maintained as the correct legal construction of the Treaty of Versailles and the connected correspondence that Germany is legally entitled to the abrogation of Part V of the Treaty of Versailles by any disarmament convention or by failure to conclude a convention at all. . . . The correct position under the Treaty of Versailles is that Part V is still binding and can only cease to be binding by agreement'. Nevertheless, the British Government did not seek to minimize the force of the German contention that 'the limitation of Germany's armaments contained in the Treaty was intended to be and announced to be the precursor of general limitation by others'. The object of the Disarmament Conference, as they conceived it, was to frame a convention 'upon the principle that each state adopts for itself in agreement with others a limitation which is self-imposed and freely entered into'. Limitations which had already been prescribed by existing treaties would, save in so far as they were modified by mutual agreement, 'reappear in the voluntary and comprehensive compact about to be negotiated at Geneva', and the compact would then be 'the effective obligation binding upon all'.

This statement of the British Government's views was received with satisfaction in France and with surprise and resentment in Germany. This resentment was aroused not only by the argument (the validity of which was contested) that Germany had no legal right to claim the abrogation of the disarmament chapter of the Peace Treaty in default of general disarmament;¹ it was also aroused in an even greater degree by the British strictures upon the German

¹ The situation as between Germany and Great Britain in regard to German equality of status in armaments was somewhat similar to that which had arisen in 1928 in regard to the German demand that the occupied territory in the Rhineland should be evacuated before the Treaty date. On that occasion, the British Foreign Minister (Sir Austen Chamberlain) had aroused a storm of protest in Germany by contesting the legal validity of the claim to evacuation, although both the Conservative Government of which Sir Austen Chamberlain was a member and the Labour Government which succeeded it were in favour of the evacuation of the Rhineland on general principles (see the *Survey for 1929*, Part II, section (i)).

démarche as inopportune. The German Government and people had come to believe that they could count on British sympathy with their case, and they were in no mood to appreciate the fact that what appeared to them a *volte-face* was largely due to the provocative manner in which the German claim to equality was now being advertised by responsible Ministers, as well as by the press, under threat of direct action if the claim were refused. The British acceptance of Germany's moral (as opposed to her legal) case which was inherent in the memorandum was overlooked or regarded as of little significance, and during the latter part of September the hostility to Great Britain which was expressed by German journals of practically all shades of opinion was hardly less bitter than their hostility to France.

The prospect of an early solution of the controversy was not improved by an indirect exchange of views which took place between the French Prime Minister and the German Chancellor towards the end of September. On the 23rd Monsieur Herriot made a speech at Gramat, the main object of which was to prove that France could only disarm if her security were guaranteed—preferably by the creation of an international force. The reiteration of this familiar refrain at this moment was significant in itself; and in addition Monsieur Herriot took occasion to attack Germany on the ground that the youth of that country were being subjected to systematic training of a military character. The immediate reason for this attack was the issue by the German Government on the 13th September of a decree providing for the establishment of a National Board to unify and centralize the activities of the numerous existing organizations which provided German youths with physical training.¹ On the 27th September Herr von Papen retorted in kind to Monsieur Herriot, in an interview with a press agency, by remarking on the military preparations which formed the accompaniment to the French plea for further security. The general tone of Herr von Papen's speech,

¹ It was denied in Germany that the training which was to be organized by this Board was of a specifically military nature; and in any case there was a widespread feeling, even among Germans who would have regretted the return of universal military service, that it would be better for Germany—and in the long run, perhaps, better for Europe—if the deeply rooted instinct of German youths to submit themselves to discipline, which had not been able to find a vent in conscript service since the War, were made use of in a manner that was approved by the Government and in organizations under Government control, instead of being exploited by independent political associations of a militarist complexion. Monsieur Herriot's reference to this question was therefore resented in Germany as an unwarranted reflection upon an attempt to handle the 'youth problem' on reasonable lines.

however, was more conciliatory than the utterances of General von Schleicher. He expressed the opinion that Monsieur Herriot's speech rendered it more difficult for France and Germany to come to an understanding, but he declared emphatically that the question at issue was not that of German rearmament. The German Government had never asked for the right to rearm themselves up to the level of France; but they must insist on equality of status and they must be treated at the Disarmament Conference on an equal footing with other Powers.

Meanwhile, at Geneva, the activities of the Disarmament Conference had been resumed without German participation. The first meeting of the Bureau of the Conference after the summer vacation had been fixed for the 21st September, in accordance with the terms of the resolution of the 23rd July.¹ On the 12th September, the technical committee of the National Defence Expenditure Commission held a meeting at which the German delegate did not appear; and on the 16th Mr. Henderson received a note from Berlin informing him that a German representative would not be able to attend the meeting of the Bureau, since the efforts which the German Government had made to clear up the question of equality of status through diplomatic channels had not proved successful. The German Government would, however, follow the course of the Conference with interest and would decide on their future course of action in accordance with the progress that was made. Mr. Henderson, in reply, pointed out that the prolonged absence of a German delegation from Geneva might seriously affect the cause of general disarmament, and appealed to the German Government to reconsider their decision. This appeal met with no response, and when the Bureau assembled on the 21st September no German representative was present.

The Bureau's main task was to decide what action should be taken in regard to the points which had been specially referred to it by the resolution of the 23rd July.² After a general discussion, certain specific questions were referred to sub-committees or to *Rapporteurs*, and the Bureau began to consider problems of a more general nature. The resolution of the 23rd July had in effect transformed the Bureau from a committee of procedure into a committee of action, whose function it was to transact such business as was necessary until the full Conference could usefully reassemble. Certain members of the Bureau, notably Monsieur Litvinov, desired that it should proceed without delay to the examination of the projects which had been placed before the Conference during its earlier session by the Ameri-

¹ See p. 252 above.

² See p. 251 above.

can, the Russian, and other delegations. Sir John Simon, on the other hand, took the view that the Bureau was not entitled to discuss political problems or comprehensive measures, and that its task was simply to prepare for the second phase of the Conference and to leave the major problems to the General Commission when it met. He was supported by Dr. Beneš and Monsieur Paul-Boncour,¹ and although Mr. Henderson inclined to Monsieur Litvinov's view that the Bureau was competent to discuss general questions—and in particular those which had been raised by the note announcing the absence of the German member—the policy of postponing such questions won the day. The Bureau accordingly adjourned on the 26th September without having brought a solution of the problem presented by Germany's attitude any nearer.

On the 23rd September, however, the Council of the League had begun its sixty-eighth session, and on the 26th there took place the opening meeting of the thirteenth session of the League Assembly. Baron von Neurath, the German Foreign Minister, was among the statesmen who had come to Geneva to attend these meetings, and during the last week of September there was much activity behind the scenes and many informal conversations with the object of finding a formula which might make it possible for Germany to return to the Disarmament Conference. A direct meeting between Baron von Neurath and Monsieur Herriot was avoided, but Sir John Simon had an interview with the German Foreign Minister, during which he was believed to have done his best to prove that the intentions of the British Government in issuing their statement of the 18th September had been completely misunderstood in Germany. The outcome of these negotiations was that the British Government decided to invite the Governments of France, Germany and Italy to attend a Conference in London at which the questions raised by the German note of the 29th August might be discussed in all their bearings.

The announcement that invitations to this Conference had been issued was made on the 4th October. The Italian Government accepted immediately, and the German Government also accepted the proposal for a four-Power meeting, though they indicated that the principles enunciated in the French note of the 12th September and the British statement of the 18th would not provide a basis for the discussions that would be acceptable to them. The French

¹ Monsieur Herriot had come to Geneva for the opening meetings of the Bureau, but had returned to France as soon as he had ascertained that the absence of a German delegate would rule out discussion of Germany's claim to equality.

Government were opposed to the suggestion that the Conference should take place in London, on the ground that the questions at issue ought not to be discussed outside the framework of the Disarmament Conference.¹ Monsieur Herriot visited England in the middle of October in order to talk this and other matters over with Mr. MacDonald and Sir John Simon, and on the 15th it was announced that the French Prime Minister had accepted the proposal for a four-Power Conference, and that it had been agreed that Geneva would be the most suitable place for the meeting.

The change from London to Geneva was accepted by Italy immediately, but the German Government refused emphatically to attend a Conference at Geneva. The proposal at once raised in German minds a question of prestige, for it was felt that a Conference in Geneva would resolve itself, in fact if not in name, into a sub-committee of the Disarmament Conference. The insistence of the French Government upon Geneva was therefore regarded as a manœuvre designed to make Germany retract her refusal to return to the Disarmament Conference until the question of her equality of status had been settled. There was some discussion during the rest of October regarding the possibility of agreeing on a neutral meeting-place such as Lausanne or The Hague, but no way out of the *impasse* was found along these lines.

Although the French Government stood firm on the question of not negotiating with Germany except at Geneva, signs were not lacking that Monsieur Herriot's Government had no desire to be intransigent and were ready to make concessions in order to secure a settlement which would remove the immediate obstacle to progress in the Disarmament Conference. It was noticeable, indeed, that French opinion, even in Nationalist circles, was showing an increasing tendency to attach importance to the success of the Conference—and this not in spite of, but because of, a widespread belief that the 'German menace' to French security was more serious than it had been at any time since the end of the General War. In no circumstances could France have watched unperturbed the return to power

¹ A tentative British proposal for a Conference in London seems to have been put forward early in September, but to have been dropped in consequence of French opposition. The French Government were perhaps also influenced to a certain extent by the hostility to the project which was displayed by certain of the smaller Powers, notably by Poland, Belgium and Czechoslovakia. The proposal to discuss questions which vitally affected the progress of the Disarmament Conference anywhere but at Geneva was open to even greater objections, from the point of view of the smaller Powers, than the private conversations at Geneva against which they had protested earlier in the year.

in Germany of members of the pre-war 'ruling class', whose outlook and whose political philosophy had not, so far as their neighbours were aware, undergone any radical change during their period of eclipse. Nor could French opinion at any time have contemplated with equanimity the prospect that the Junkers might call into collaboration, or might be succeeded by, the Nazis, whose chauvinistic tendencies had caused alarm abroad long before they had developed into the largest political party in the Reich. In 1932, however, the French Government had reason to watch these developments in Germany with special concern. In 1933, France would enter upon a five-year period during which she would feel the full effects of the War of 1914-18 upon the birth-rate. It was estimated¹ that the decrease in population during the period 1933-8 as the result of 'wartime sterility' would mean an annual shortage of about 120,000 young men of conscript age, and would place France in a position of marked inferiority to Germany so far as effectives were concerned (on the assumption that Germany had a large reserve of potential soldiers from which she could supplement the Reichswehr in the young men who belonged to militarist associations such as the Nazi Storm-troops and the Nationalist Stahlhelm). Fears were even entertained lest the anticipated shortage of recruits should make it impossible to man properly the new system of fortifications along the eastern frontier which had been erected, at immense cost, in order to guarantee France against a sudden attack, and which had been publicly proclaimed only a few months earlier as perfectly adequate for this purpose.²

Under the administration of Monsieur Tardieu or Monsieur Laval, the preoccupation of the French Government with the problem of declining man-power merely served to confirm their belief that France could not afford to disarm; under Monsieur Herriot the emphasis was rather upon the necessity of concluding a general agreement which would deprive Germany of any excuse for rearming.

Monsieur Herriot, as has been indicated, was no less anxious than his predecessors to strengthen the security of France before he agreed to reduce her armaments, but he was more ready than Monsieur Tardieu to consider by what means it would be possible to remove the objections which had been felt by other Powers when France had previously propounded schemes for organized security. During the latter part of the first phase of the Disarmament Conference, when Monsieur Herriot was in office, the French delegation at Geneva had agreed to the postponement of consideration of the plan which

¹ See *The Economist*, 13th August, 1932.

² See p. 258 above.

Monsieur Tardieu had produced at the beginning of the Conference, but they had not given any indication of the policy which they intended to follow, either in regard to French security or in regard to the German demand for equality of status, when the Conference reassembled in the autumn. Once the German demand had been formally enunciated, however, it could neither be ignored indefinitely nor rejected outright without further compromising the security of France, and Monsieur Herriot's insistence that negotiations on the question of German equality should not be divorced from the discussions on disarmament implied that he was prepared to seek for a comprehensive settlement of the interrelated political problems which had defied solution hitherto.

During October it became known that the French Government were preparing revised proposals for submission to the Disarmament Conference which would, it was hoped, make adequate concessions to the point of view of Germany, while providing for a reorganization of forces that would be in the interests of France; and which were also designed to remove the obstacle created by the reluctance of Great Britain to add to her existing commitments in order to afford greater security to France. It has been indicated that the attitude of the United States was also a factor of great importance in determining the fate of French proposals in regard to security, and in this respect the task of the French Government was rendered easier by a gesture on the part of the Government at Washington.

The United States Government had made it clear that they did not consider themselves directly concerned in the question of German equality of status, which arose out of the application of a treaty to which the United States was not a party, although they were anxious that German co-operation in the Disarmament Conference should continue.¹ They had made it equally clear, during the first phase of the Disarmament Conference,² that they did not intend to concern themselves directly in the question of French security; but on this matter Mr. Stimson's personal experience in Paris and Geneva during

¹ A statement to this effect was made by President Hoover on the 20th September. A day or two earlier, Senator Reed of Pennsylvania had had an interview with Monsieur Herriot in Paris, during which he was said to have explained that American opinion would not accept a settlement which involved the rearmament of Germany or of any other Power. On the 7th October Mr. Norman Davis, a leading member of the American delegation to the Disarmament Conference, was received by Monsieur Herriot, and a statement was issued after the interview to the effect that the subject of discussion had been 'the best means for enabling the work at Geneva to make further progress'.

² See pp. 224, 244 above.

1932, as well as in London during 1930,¹ had convinced him that the Government of the United States, while maintaining their refusal to add their signature to security pacts or to pacts for consultation, might still have a useful contribution to make towards the solution of a problem which they regarded as purely European. Mr. Stimson appreciated the fact that it was difficult for the nations of Europe to come to an agreement among themselves for the better organization of their security—or even to derive the full advantage from the guarantees of security which were afforded by the Covenant of the League and by other existing international agreements—so long as they remained uncertain what the attitude of the United States would be in the event of a future breach of the peace. Mr. Stimson had also seen for himself that doubts on this score could not be removed altogether by reference to the actual practice of the United States in connexion with the Sino-Japanese dispute. The situation in the Far East was a matter of direct interest to the United States, whereas in a dispute between European states the Government at Washington might conceivably take the line that they were only concerned to see that their neutral trading rights were not prejudiced. Accordingly, Mr. Stimson took an early opportunity, after the first phase of the Disarmament Conference had come to an end, of defining the attitude of the United States Government on the questions of neutrality and consultation in unmistakable terms.

The opportunity was afforded by a speech which Mr. Stimson delivered before the Council on Foreign Relations in New York on the 8th August. The subject of the speech was the Pact for the Renunciation of War as an Instrument of National Policy (the 'Briand-Kellogg Pact') which had been signed in Paris on the 27th August, 1928. That pact had now been in force for just over three years, and Mr. Stimson believed that 'it would be appropriate, in the light of this three years' history, to take stock . . . of what the pact is, the direction in which it is developing, and the part which we may hope that it eventually will play in the affairs of the world'. Mr. Stimson began by pointing out that before the War of 1914–18 international law had to a large extent been based upon the 'existence and legality of war', and 'the development of the doctrine of neutrality' had been 'predicated upon the duty of a neutral to maintain impartiality between two belligerents'. He went on to trace the changes which had been introduced into this conception during and after the War of 1914–18. At the Peace Conference of Paris 'the victorious nations entered into a covenant which sought to reduce

¹ See the *Survey for 1930*, Part I, section (ii).

the possibility of war to its lowest terms', but which 'did not undertake entirely to proscribe wars between nations'. In 1928 came 'the still more sweeping step of the Pact of Paris', by which 'substantially all the nations of the world . . . renounced war altogether as an instrument of national policy in their relations with one another'. The Pact, Mr. Stimson declared, was a binding treaty; it was a 'broad covenant against war', the only limitation on which was the right of self-defence. The Pact provided for no sanctions of force, but rested upon the sanction of public opinion; and from the day of its ratification it had been 'the determined aim of the American Government to make this sanction . . . effective and to ensure that the Pact of Paris should become a living force in the world'. In illustration of this statement, Mr. Stimson referred to the joint declaration which had been made by President Hoover and Mr. Ramsay MacDonald in October 1929,¹ whereby they had announced their acceptance of the Pact 'as a positive obligation to direct national policy in accordance with its pledge'. He also referred, in some detail, to the action which the American Government had taken in fulfilment of that obligation in 1929,² when there was a threat of hostilities between Russia and China in Manchuria, and again in 1931 and 1932, when hostilities actually occurred between China and Japan in the same region;³ and he recalled the fact that on the 11th March, 1932, the Assembly of the League of Nations had formally accepted a new doctrine of international law which he himself had propounded by adopting a resolution declaring it to be 'incumbent upon the members of the League of Nations not to recognize any situation, treaty or agreement which may be brought about by means contrary to the Covenant of the League of Nations or to the Pact of Paris'.

Under the former concepts of international law [Mr. Stimson pointed out] when a conflict occurred, it was usually deemed the concern only of the parties to the conflict. The others could only exercise and express a strict neutrality alike towards the injured and the aggressor. The direct individual interest which each nation has in preventing a war had not yet been fully appreciated, nor had that interest been given legal recognition. But now under the covenants of the Briand-Kellogg Pact such a conflict becomes of concern to everybody connected with the Pact. As was said by Mr. Briand, quoting the words of President Coolidge: 'An act of war in any part of the world is an act that injures the interests of my country.'

¹ See the *Survey for 1929*, p. 48.

² See *op. cit.*, Part IV, section (iv).

³ See the *Survey for 1931*, Part IV, section (iii) (b) (4), and the present volume, Part V, section (iv) (b). The passage of Mr. Stimson's speech dealing with the Far Eastern crisis of 1931-2 is quoted in full on pp. 555-6 below.

Thus the power of the Briand-Kellogg Treaty cannot be adequately appraised unless it is assumed that behind it rests the combined weight of the opinion of the entire world united by a deliberate covenant which gives to each nation the right to express its moral judgement. . . .

Another consequence which follows this development of the Briand-Kellogg Treaty, which I have been describing, is that consultation between the signatories of the Pact when faced with the threat of its violation becomes inevitable. Any effective invocation of the power of world opinion postulates discussion and consultation.

As long as the signatories of the Pact support the policy which the American Government has endeavoured to establish during the past three years of arousing a united and living spirit of public opinion as a sanction of the Pact, as long as this course is adopted and endorsed by the great nations of the world who are signatories of that Treaty, consultations will take place as an incident to the unification of that opinion.

The course which was followed in the Sino-Japanese controversy last winter shows how naturally and inevitably consultation was resorted to in this effort to mobilize the public opinion of the world.

That the Pact thus necessarily carries with it the implication of consultation has perhaps not been fully appreciated by its well-wishers who have been so anxious that it be implemented by a formal provision for consultation. But with the clarification which has been given to its significance by the developments of the last three years, and the vitality with which it has been imbued by the positive construction put upon it, the misgivings of those well-wishers should be put at rest.

The significance of this declaration that the existence of the Kellogg Pact implied the abolition of neutrality and imposed upon the signatories of the Pact the obligation to consult with one another in the event of a breach of the peace in any part of the world was inevitably diminished to a certain extent by the fact that it was made within three months of the presidential election in the United States; so that neither Mr. Stimson's immediate audience nor the wider public across the Atlantic to which he was also addressing himself could be sure that the policy which he outlined would remain the policy of the Administration at Washington after the 4th March, 1933.¹ Nevertheless, his declaration was universally felt to be of first-class importance, and its effects were visible in the new French plan which was drafted during the autumn for submission to the Disarmament Conference.

Early in October it became known at Geneva that Monsieur Paul-Boncour and other members of the French delegation were actively

¹ In the event, Mr. Stimson's policy was explicitly accepted by President Roosevelt; and the proposals which were made at Geneva in May 1933 by the President's special Ambassador for Disarmament, Mr. Norman Davis, appeared to hold out the hope that the new Administration at Washington would be prepared to co-operate more actively than their predecessors in the organization of a system of security.

engaged in the preparation of revised proposals, in consultation with certain representatives of other countries (especially with Dr. Beneš and with Monsieur Politis of Greece) who were particularly expert in matters relating to disarmament and security. On the 9th October Monsieur Herriot stated publicly, in the course of a speech which he delivered at Kembs in Alsace, that the finishing touches were being put to a new plan for the organization of peace and progressive disarmament. During the next fortnight the proposals were closely scrutinized by the French military authorities,¹ as well as by the Cabinet, and Monsieur Herriot was also believed to have explained the gist of them to the British Government when he visited England in the middle of October.² On the 28th October Monsieur Herriot gave a full exposition of the plan to the Chamber of Deputies, and after a long debate the plan was approved, on a vote of confidence, by 425 votes to 25. Monsieur Herriot's speech clearly indicated the importance which he attached to the success of the Disarmament Conference as the only practicable method of preventing German rearmament, for he announced that if the proposals which he outlined to the Chamber were rejected by the Conference, the French Government would continue to co-operate in any attempts to find an alternative solution. His attitude was even more clearly defined in his reply to Monsieur Franklin-Bouillon, who led the opposition against the Government's proposals. Monsieur Franklin-Bouillon, he said, relied upon force; but the Government could not be sure that if it came to a trial of strength between France and Germany the balance of force would be in favour of France. The greatest possible danger, in his view, would be for France to find herself isolated in face of a free Germany, and his reply to the new German menace was therefore a new effort to organize peace. Monsieur Herriot was the first Prime Minister of France since the War who had the courage to tell his countrymen frankly that the policy of using force towards Germany would run the risk of defeat by superior force; and the size of the majority by which the Government's proposals were approved was especially significant in the light of his statement.³

¹ There were repeated rumours that the military authorities did not see eye to eye with Monsieur Herriot and Monsieur Paul-Boncour in regard to the merits of the new plan, and Monsieur Léon Blum launched a direct attack upon General Weygand in *Le Populaire* on the ground that he was deliberately obstructing progress in disarmament. It was officially denied that there was any serious difference of opinion in regard to the new proposals, but the Supreme Council of National Defence certainly found it necessary to examine them with great care.

² See p. 268 above.

³ When the full details of the new French plan were made available in the middle of November, a certain amount of opposition developed in France.

The debate in the Chamber served to make the main lines of the new project known to the world at large, and further details were made public by Monsieur Paul-Boncour on the 4th November, when he explained the proposals to the Bureau of the Disarmament Conference.¹ The full text, however, was not published until the 14th November.²

In regard to the organization of security the proposals contemplated the division of the states of the world into three concentric circles. The outermost circle would consist of all the Powers which were represented at the Disarmament Conference. These Powers would be 'called upon to establish in an effective manner the following principles':

(a) Any war undertaken in breach of the Paris Pact is a matter of interest to all the Powers and shall be regarded as a breach of the obligations assumed towards each one of them.

(b) In the event of a breach or threat of breach of the Paris Pact, the said Powers shall concert together as promptly as possible with a view to appealing to public opinion and agreeing upon the steps to be taken.

(c) In application of the Pact of Paris outlawing war, any breach of that Pact shall involve the prohibition of direct or indirect economic or financial relations with the aggressor country. The Powers shall undertake to adopt the necessary measures to make that prohibition immediately effective.

(d) The said Powers shall declare their determination not to recognize any *de facto* situation brought about in consequence of the violation of an international undertaking.

The second circle consisted of members of the League of Nations, who would be required 'to give full effect to the obligations devolving upon' them 'under the Covenant and under the treaties they' had 'concluded in conformity with the Covenant'. In this connexion, it The plan was criticized by the Socialists on the grounds that it made disarmament dependent upon the general acceptance of an elaborate system of security and that it failed to provide adequate guarantees against rearmament. Critics whose views were more to the Right tended to draw an unfavourable comparison between the new proposals and those which had been put forward in February. Monsieur Tardieu, for instance, pointed out that the plan which was associated with his name had the advantage of maintaining the military inequality between France and Germany which had been considered to be a necessary precaution at the time of the Peace Conference, and of not containing any proposal which involved a departure from the terms of the Peace Treaty.

¹ The French proposals had already been discussed informally by the Bureau on the 13th October, in connexion with the German demand for equality. The Bureau had not met since its adjournment on the 26th September, and it was adjourned again on the 13th October until the 3rd November (see p. 293 below).

² It was published as Document No. 146 of the Disarmament Conference.

was expressly stipulated that 'the effective and loyal application of Article 16 of the Covenant' was 'an essential element' of the plan.

Finally, the innermost circle consisted of European states, for whom a special organization was proposed, involving political and military arrangements. The plan presupposed that the obligations arising under this section would be accepted 'by a sufficient number of Powers,¹ regard being had to their importance and geographical position, in order that the security of each of them should be ensured in all circumstances'.

The political arrangements contemplated would 'establish the right to assistance when a territory under the authority of one of the signatory Powers' was 'attacked or invaded by foreign forces'. This definition of aggression expressly excluded cases in which an agreement to the contrary existed, or in which action was taken in self-defence, or in execution of Article 16 of the Covenant, or by special authorization of the Council or Assembly of the League. The object of the assistance would be 'to put an end to the aggression, and to create a *de facto* situation which' would 'allow of a fair settlement of the consequences of the aggression'. The Council of the League would decide (by a majority vote) that assistance should be given 'on simply ascertaining that an attack or invasion' had 'taken place'. In order to facilitate any steps that might be necessary to ascertain the facts, a Commission, whose members would be appointed by the League Council, would be appointed in each of the signatory states. The peaceful settlement of disputes between states which had signed the European agreement would be ensured by their compulsory accession to the General Act of Arbitration. If one of the signatories refused nevertheless to conform to methods for peaceful settlement, the other party to the dispute would refer the matter to the League Council which would decide (again by a majority vote) what steps were to be taken, and the other contracting Powers would lend their assistance in carrying the decision into effect.

The military arrangements were designed to conciliate Germany and at the same time to give France the opportunity of reorganizing her forces on lines dictated by the decline in her population. The proposals divided the land forces of contracting Powers into a 'national army' or 'force assigned for the defence of the home frontiers', and a 'specialized contingent'. The 'national army' of each contracting Power would be 'reduced to a uniform general type

¹ According to press reports, the French Government considered it essential that the European pact of mutual assistance should be signed by Germany, Italy, Spain, Czechoslovakia and Poland.

—that of a short-service army with limited effectives—not adapted to a sudden offensive'. The effectives and the period of training were to be fixed 'in such a way as to ensure the national security of each state, taking account of its geographical situation and circumstances'. In particular 'the numerical limitation of the short-service effectives' would be 'adapted to the inequalities and variations of the resources of recruitment of the various signatory Powers';¹ while the period of training would include, 'in a form to be determined, the time spent in pre-regimental training or in military training received, for example, in political organizations'. There would be limitations, on a common basis for all signatory states, on the numbers of 'professional or long-service effectives (instructors, specialists, and cadets)' and of 'effectives of home police forces of a military character'. The national army would be prohibited the possession of 'at least all powerful mobile material, such as would facilitate attack on permanent fortifications (powerful artillery and powerful tanks)'.

The plan went on to propose the creation of an international force on lines similar to those indicated in Monsieur Tardieu's proposal of the 5th February. In addition to its national army, each contracting Power would retain, and would place permanently at the disposal of the League of Nations, 'a small number of specialized units consisting of troops serving a relatively long term and provided with the powerful materials prohibited for the national armies'. These specialized contingents would be 'kept constantly ready for action', and would be 'formed on similar lines' in each state. The quota to be contributed by each state would be determined by the Convention. Apart from the normal armament of the special contingents, any mobile land material prohibited for the national armies would be 'stored in each of the contracting states under international supervision'; and these stocks would, 'if necessary, be placed at the disposal of the parties in aid of which collective action is taken'. Further, any contracting party engaged in legitimate self-defence would 'regain the full use of the contingent maintained by it and of the stocks of materials in its territory'.

The war material of all the contracting Powers would 'gradually be made uniform, their manufacture being internationally supervised and organized'. The contracting Powers would also be subjected to

¹ The purpose of this provision was presumably to ensure that the number of men called to the colours in Germany should not exceed the number in France. The strict application of the American proposal for determining the strength of national forces in proportion to population would have worked out to the increasing disadvantage of France, in view of the effects of 'war-time sterility' which have been noted above (see p. 269).

'a regular and permanent supervision of the execution of their obligations in regard to their armaments'. This supervision would 'involve an investigation at least once a year'.

This continental system of organization which was envisaged for land forces would not extend to overseas, naval, and air forces. Overseas forces would be 'calculated and specialized for the particular tasks incumbent upon them' and would be subject to limitations to be fixed by the General Convention on Disarmament. In regard to naval forces, it was suggested, 'in accordance with the spirit of the Hoover proposals', that there should be a 'qualitative reduction of the characteristics at present fixed for certain types of war vessels' and a simultaneous quantitative reduction of tonnage, which would leave the existing relativity of strengths untouched, to be applied by means of a uniform percentage to the fleets of Powers whose aggregate tonnage in 1931 exceeded 100,000 tons. There was to be no distinction between general and specialized naval forces, but every contracting naval Power would be obliged, when called upon by the League of Nations, to supply emergency assistance (which would include a certain proportion of vessels of every category) to any state which was the victim of aggression.

In regard to air forces, the following measures were proposed:

1. All bombardment from the air shall be prohibited and bombing aircraft shall be abolished under the conditions for which the resolution of July 23rd provides.

2. The necessary provisions for this purpose shall be settled in principle by the General Convention; but these will be supplemented by a special arrangement with regard to the air, applicable to Europe alone, regarding points which do not form part of the general agreement—in particular, concerning the establishment of a 'European Air Transport Union', which will entrust the management and supervision in Europe of public air-transport to an international body, and will ensure the application of a system of safeguards against the use of civil aircraft for military purposes.

3. The importance of the obligations assumed in connexion with the air is so great, and the consequences of their violation would be so serious, that it appears essential to give the League of Nations, at any rate in Europe, a powerful means of action capable of immediate intervention as necessity arises to guarantee the execution of the obligations in question. Specialized air units, as in the case of the land army, possessing more powerful machines and more powerful equipment than the ordinary air units, will be able to place adequate means of action at the disposal of the League.

Going still further in this category of ideas, certain delegations, including the French delegation, have already suggested the establishment of an *organically international air force* to be set up and maintained permanently by the League of Nations. The provision of material

for the force will be made easier by the abolition of bombing aircraft in the different national air forces, these aircraft being handed over to the League in accordance with executory regulations to be drawn up. Staff will be provided by direct recruiting from volunteers of different nationalities in accordance with a quota system to be laid down.

In conclusion, 'the several parts' of the plan were stated to 'constitute one indivisible whole... based integrally on the application of the Pact of Paris and of the Covenant of the League of Nations'.

It will be seen that, in the drafting of this plan, an effort had been made to avoid certain features which had made the Tardieu plan, like earlier French proposals for the organization of security, unacceptable to the English-speaking Powers. Thus neither the United States nor Great Britain was asked to accept the part of the plan which provided for automatic mutual assistance and sanctions against an aggressor. The United States was included only in the outermost circle of states, and three out of the four principles which those states were asked to accept had been enunciated by Mr. Stimson in his speech of the 8th August. (It could not be said, however, that the Government at Washington had given any indication that they would be willing to accept the fourth principle: that any breach of the Pact of Paris should 'involve the prohibition of direct economic or financial relations with the aggressor country'.) Great Britain was also asked to accept these principles, and the hope was expressed that their application 'would make it possible to give full effect to the obligations devolving upon the Members of the League under the Covenant'. In other words, the French Government hoped that the attitude of the United States Government on the question of neutrality, as defined by Mr. Stimson, would remove the objections which the British Government might otherwise have felt obliged to raise if at any time it became necessary to consider the putting into force of Article 16 of the Covenant. Great Britain was not asked to accept any additional commitments beyond those which she had undertaken in signing the Covenant of the League and the Locarno Pact.¹

A special effort had also been made to meet the German demand for equality of status, as was indicated by a passage in the preamble to the plan:

While the French Government has objected to the conditions in which the claim for equality of rights has been put forward, while it does not recognize the force of the legal arguments on which this claim is based, and while it persists in its belief that any solution involving rearmament would be unacceptable as being contrary to the very purpose of the

¹ The Locarno Treaties were expressly declared not to be 'affected by any of the provisions of the present plan'.

Conference, it has never denied that the problem was among the political problems brought up before the Conference. The French delegation has every confidence that its proposals would permit of an equitable solution of this problem in the interests of general peace by the progressive equalization of the military status of the various countries and by an equal participation in the burdens and advantages of the organization of common action, all question of rearmament being ruled out.

From the point of view of Germany the most significant part of the plan was that relating to the organization of the land forces. The proposal that all European states should reduce their forces to 'a short-service army with limited effectives' met one of the most important points in the programme which had been put forward privately by Dr. Brüning in April and publicly by Herr von Papen's Government in the summer. The substitution for the long-service Reichswehr of a limited force of short-service men might not produce all the results which the German military authorities had in mind when they suggested a reduction in the period of service; but it had the inestimable advantage, from the German point of view, of abrogating one of the stipulations of the Disarmament Chapter of the Versailles Treaty and thus, in effect, conceding the German demand that the provisions of the Peace Treaty should be superseded by those of the general Disarmament Convention.

The full significance of this proposal was not realized in Germany when an outline of the new French plan first became known, and the first comments of the press on the proposals were for the most part hostile. This attitude changed as soon as the implications of the proposal for the standardization of effectives were better appreciated, and in certain journals¹ the opinion was expressed that Monsieur Herriot had by a gesture opened the door through which Germany could re-enter the Disarmament Conference. A closer examination of the plan in all its details, however, resulted in a return to a more critical attitude, and the final view of the majority of Germans seems to have been that while France would not be able to retract the renunciation of Part V of the Peace Treaty which was held to be implicit in the proposals, the plan itself was merely another attempt to perpetuate the military predominance of France on the Continent of Europe. In an official broadcast on the 15th November, it was announced that the German Government did not consider that the new plan provided a basis on which Germany could return to the Disarmament Conference.

The immediate reaction to the plan in other countries was favour-

¹ e.g. in the *Frankfurter Zeitung*, issue of the 1st November, 1932.

able on the whole. The French Government could count on the support of a considerable number of European countries which had always shown themselves ready to accept proposals for mutual assistance. In Italy, the plan met with some criticism, but it was not rejected completely, and certain features at least were considered acceptable—particularly the abandonment of the thesis that the Peace Treaty was sacrosanct and the development of the idea of mutual assistance. The attitude of the United States and of Great Britain was determined to a certain extent by their recognition of the efforts made by the French Government to understand the 'Anglo-Saxon' point of view. American opinion was gratified, also, because the proposals incorporated certain elements of the Hoover Plan, to which it made a number of references, and because they did not appear to be incompatible with the principle of an all-round cut of one-third which Mr. Hoover had advocated.¹ British opinion appreciated the fact that Great Britain was not being asked to undertake new commitments on the Continent of Europe or to adopt a system of conscription for herself. At the same time, the proposal to reintroduce conscription in Germany and in the other ex-enemy countries met with some criticism, especially from Liberal quarters in Great Britain, in which conscript service was regarded as a method of fostering a militaristic spirit.²

There were other respects, also, in which the plan was felt by many people to be open to serious objections. Its proposals for the organization of an international force marked no advance upon those of Monsieur Tardieu, and it was evident that so long as a state was entitled to use the specially-armed troops and the stocks of 'aggressive' weapons which it was to keep at the disposal of the League for purposes of self-defence, the danger that it might also use them in order to take the offensive could not be entirely eliminated. There was a widespread feeling that it would be more satisfactory if the weapons which the French Government proposed to retain for collective use against an aggressor were abolished outright. Another general criticism was that the definition of aggression left a good deal to be desired. These weaknesses in the plan would have been less

¹ Monsieur Paul-Boncour pointed out, when he explained the proposals to the Bureau of the Disarmament Conference, that they were complementary to the Hoover Plan and not alternative to it.

² This view was, of course, the exact reverse of that held in France and other countries in which conscript service was the rule, where the professional army, with the glamour and prestige which attached to it in the public mind, was looked upon as a greater danger than universal military service to the spirit of peace.

serious if it had not been put forward expressly as an 'indivisible whole'.

On the 10th November, before the French plan had been published in full but when its main features were already known, a debate on disarmament took place in the House of Commons at Westminster which afforded to the British Foreign Secretary an opportunity for expressing the Government's views both on the new French proposals and on the position in regard to Germany's absence from the Disarmament Conference. In regard to the French plan, Sir John Simon pointed out that it deserved commendation because it represented 'a definite effort to meet the German claim for equality of treatment', and he noted that German opinion had seized on the point that the scheme was 'an admission that the clauses of the Treaty of Versailles' were 'not sacrosanct'. He declared that the proposal for a European pact of non-aggression 'ought to have the heartiest support of Britain'—especially since the French Government did not ask from the British Government 'anything further than the engagements we have already entered into on the basis of the Covenant and the Locarno Treaty'. In this connexion, Sir John Simon took occasion to assert that Great Britain took such commitments seriously. It was, he said, 'an essential part of British policy that every such engagement given by us must be entered into, not lightly or inadvisedly, but discreetly and honourably'. In regard to the reference in the French plan to the new conception of neutrality which had been outlined by Mr. Stimson in his speech of the 8th August, Sir John Simon was more guarded, and confined himself to the statement that the doctrine required 'to be analysed in all its bearings and consequences'.

On the German claim to equality, Sir John Simon made a declaration which was clearly designed to remove any misunderstanding of the British Government's views and intentions which might still remain in German minds in consequence of the statement on that subject which had been published in September.

The United Kingdom Government [said Sir John Simon] have throughout been ready and anxious to join the other Governments represented at Geneva, including Germany, in framing a Disarmament Convention which would fairly meet [the claim of Germany] that the methods of limitation which have been applied to her, or which are applied to her in the future, should no longer be different in nature from the limitation applied to other nations. Any hesitation which might arise in any quarter does not proceed from the desire to inflict upon Germany permanent inferiority of status. . . . The hesitation has proceeded from anxiety as to the use which might be made of the new situation and from

fear of the resulting dangers which might threaten the tranquillity of Europe. That anxiety may be unfounded, but our Government would most strongly urge that it is nevertheless the highest wisdom to endeavour to remove that anxiety. This is what we would suggest: that, side by side with the fair meeting of Germany's claim to the principle of equality, the European states should join in a solemn affirmation that they will not in any circumstances attempt to resolve any present or future differences between them by resort to force.

The Foreign Secretary went on to indicate the lines on which the British Government would suggest that the German claim to equality might be met:

Our view is that the limitations of Germany's armaments should be contained in the same disarmament convention as that which will define the limitation of the armaments of others. That is to say, that the Article of Part V of the Treaty of Versailles which at present limits Germany's arms and armed forces would be superseded and Germany's limitations would be arrived at by the same process and expressed in the same document as those of other countries. . . . We take the view that the newly expressed limitations in the case of Germany should last for the same period and should be subject to the same methods of revision as those of other countries. . . .

Sir John Simon's statement was supplemented by an important speech from Mr. Baldwin on the subject of air armaments, which showed that the British Government were no less concerned with the possibilities of this branch of warfare than were the Governments whose representatives at Geneva had urged the total abolition of military aircraft. Mr. Baldwin brought his speech to a close with an appeal to the young men in whose hands the future lay—and who would also be called upon to do the fighting if there were another war—to consider whether the aeroplane were not an instrument so terrible that Mankind must resolve not to use it in order to avoid self-destruction.¹

The British statement of policy was well received in France, where Sir John Simon's approving references to the French plan and his solemn assurance of the integrity of British engagements were welcomed. In Berlin, also, satisfaction was expressed because Germany's claim to equality of status had now been explicitly recognized by the British Government. The point in the British proposals which aroused most comment was that the Powers of Europe should give a solemn undertaking not to resort to force for the settlement of their disputes. In some quarters this suggestion was criticized on the ground that it would be a mere reaffirmation of the obligation not to resort to war which had been accepted by all the signatories of

¹ For Mr. Baldwin's speech, see pp. 189-90 above.

the Kellogg Pact, and might be taken as a reflection upon the binding force of that pact. This criticism, however, ignored the point of the proposal, which lay in the use of the phrase 'resort to force' instead of 'resort to war'—recent events in the Far East having illustrated the extent to which it was possible for one state to use force against another without a formal declaration of war.

Sir John Simon told the House of Commons on the 10th November that it was his intention to submit to the Disarmament Conference, in the near future, a detailed scheme designed to give effect to the principle of equality of status between Germany and other Powers. He duly presented these proposals¹ to the Bureau of the Conference at Geneva on the 17th November in the form of an annex to the declaration which he had made to the House of Commons on the question of German equality, which is quoted above, and which was reproduced in his statement almost word for word. In regard to his detailed proposals, he explained that his object was not to put forward a plan in competition with other plans which had already been submitted, but to assist the Conference in finding a basis on which the question of equality of rights might be dealt with, and thus to facilitate the return of a German delegation.

Under the heading of naval armaments, Sir John Simon reported that the British Government were 'at present engaged in seeking agreement with the leading Naval Powers for substantial reduction in the size of the capital ship'. While the principle of according equal rights to Germany demanded that she 'should be permitted to build ships of a type similar to that upon which the Great Naval Powers' finally agreed, it was pointed out that the limit of 10,000 tons for a capital ship, to which Germany was at present restricted, failed to command general acceptance. It was also pointed out that 'the principle that the reorganization of Germany's fighting forces must be carried out in such a way as not to conflict with the limitation and reduction of armaments' required that 'any construction undertaken by Germany' should, 'subject to minor adjustments, not increase the total tonnage in any category to which her Navy' was 'at present restricted'. The British Government were willing to limit cruisers to vessels of 7,000 tons with 6-inch guns, which would approximate closely to the type permitted to Germany. They would regard the abolition of submarines, which they had repeatedly urged, as the best way of meeting Germany's demand for equality of treatment in that weapon.

¹ The proposals were issued simultaneously in Great Britain as the parliamentary paper *Cmd. 4189* of 1932.

In regard to land armaments, Sir John Simon suggested that a reduction of the maximum calibre of mobile land guns to 105 mm.—the maximum permitted to Germany—would at once meet the German demand for equality and make a great advance in disarmament. The British Government saw objections to the complete abolition of tanks, and preferred, at any rate as a first stage, a limitation of size. They realized that ‘the admission of equal treatment would make it impossible to deny, in principle, to Germany the right to possess a limited number of such weapons’, but they thought that ‘the question whether this should be so in practice’ would depend upon ‘a consideration of the purposes to be served by each national army’ and would be a matter for negotiation with Germany.

In regard to air armaments, the British Government suggested, ‘as a practical and immediate measure of disarmament, (1) the immediate reduction of the air forces of the leading Powers to the level of those of the United Kingdom; (2) a cut of $33\frac{1}{3}$ per cent. all round on the air forces of the world thus reduced, United Kingdom included; (3) a limitation on the unladen weight of military aircraft to the lowest figure upon which general agreement can be obtained’. They were anxious to co-operate in examining the practicability of the abolition of military and naval aircraft and of bombing (except for police purposes in outlying places), combined with ‘an effective international control of civil aviation; and pending the examination of these questions they thought it not unreasonable that Germany should refrain from making any claim to possess military or naval aircraft’.

In regard to military effectives, the British Government were prepared to accept President Hoover’s proposal¹ as a basis for discussion. Equality of treatment would entail the freedom of Germany to reorganize her military forces, but this reorganization must be carried out on the principle that it did not involve any ‘increase of Germany’s power of military aggression’. Finally, the British Government accepted the principle of effective supervision of armaments by a Permanent Commission, but they pointed out that supervision must be ‘subject to agreed conditions to be accepted by *all* states represented at Geneva’.

Sir John Simon’s proposals received immediate support from the Italian representative on the Bureau of the Disarmament Conference, and the French representative promised that they would be given careful consideration. The comments of the French press indicated that the British proposals were not held to be incompatible in

¹ See p. 240 above.

principle with those of Monsieur Herriot's Government, though certain of the details of the British scheme found little favour in France. (For instance, the suggestion that Germany should be freed from restrictions on the size of individual warships was felt to be particularly untimely in view of the fact that France had just laid down a new battle-cruiser, the *Dunkergue*, of 26,500 tons.) Some anxiety was also expressed in France lest the launching of the British proposals should divert the attention of the Disarmament Conference from the French plan. In Germany, also, certain features of the proposals were criticized, but they were not rejected as a basis for negotiation. German opinion was still determined that a German delegation should not return to the Disarmament Conference until the French Government had followed the British Government's example and stated explicitly that they recognized the German claim to equality of treatment; but at the same time it was evident that if representatives of the French and German Governments could now be brought together, there was a better prospect that they might be able to come to an understanding which would break the deadlock created by Germany's absence from the Disarmament Conference.

Immediate progress was rendered difficult by another political crisis in Germany. The failure of an attempt by Herr von Papen to obtain parliamentary support for a government of national concentration under his leadership had ended on the 17th November in the resignation of his Cabinet, and the subsequent consultations between the President and various party leaders (including Herr Hitler) failed to produce a parliamentary government. Herr Hitler refused, on the 4th November, to attempt to form a government on the President's terms, while the President refused to grant 'Presidial' powers to a party leader; and it was not until the 2nd December that General von Schleicher was entrusted with the task of forming another 'Presidial' government—a task which he completed on the 5th December. In the meantime, however, Baron von Neurath (who retained the post of Foreign Minister pending the formation of the new Government) had gone to Geneva in order to represent Germany at the meeting of the League Council which began on the 21st November. It soon became apparent that, as a consequence of the new French plan and of the British statement, Germany would no longer persist in her attitude that discussion regarding her return must not take place at Geneva. On the French side, also, a greater willingness was displayed to negotiate with Germany. Informal meetings took place between French and German representatives, but little progress could be made, because the French Government

were only prepared to consider the possibility of granting equality of status to Germany as part of the whole system envisaged by the French plan, whereas the German Government still maintained that the French plan did not provide a basis for discussion. The conversations *à deux* appeared to have reached a deadlock at the end of November, when Baron von Neurath was obliged to return to Berlin on account of the political crisis. It was therefore arranged that the Franco-German conversations should give place to an informal conference between five Powers (France, Great Britain, the United States, Italy and Germany) which would be held in Geneva early in December.

This arrangement was the fruit of much activity behind the scenes, in which Mr. Norman Davis, a member of the American delegation, played a leading part.¹ Now that the presidential elections in the United States were over, the attitude of the retiring Administration at Washington towards the Disarmament Conference was inevitably coloured to a certain extent by anxiety lest it should fall to their successors to reap what they had sown; and the American delegation at Geneva evidently had instructions to do all that lay in their power to promote a settlement with Germany (while maintaining the principle that the United States was not directly concerned in the question of German equality) in order that the Conference might proceed as rapidly as possible to the attainment of definite results.

On the 2nd December, Mr. MacDonald and Sir John Simon arrived in Geneva, and on the 3rd Monsieur Herriot also arrived. In the absence of the German Foreign Minister (Baron von Neurath did not return to Geneva as the accredited representative of the new Government until the 5th December), preliminary conversations took place on the basis of a proposal which was put forward by Mr. Norman Davis, the essential points of which were the adjournment of the Conference and the immediate establishment of a Permanent Disarmament Commission to carry on the task which the Conference had failed to fulfil. Mr. Davis proposed that the Disarmament Conference should 'give the world a Christmas present' by embodying in a definite convention the points on which general agreement was assured. This convention would remain in force until 1936, when the London Naval Treaty would expire, and in the meantime the practical application of the principles laid down in the convention would be worked out by a Permanent Commission on which all nations would be represented. This Commission would also prepare the

¹ For Mr. Davis's activities in connexion with naval disarmament, see pp. 291-2 below.

ground for a new Conference to be held in 1936. This proposal for declaring an interim dividend was supported by the British Ministers, who held that the Conference had in fact achieved more than was generally realized, and it was apparently not rejected outright by Monsieur Herriot or the Italian representative. An arrangement of this kind, however, must necessarily be contingent upon a settlement of the dispute over Germany's equality of status, and as soon as the full five-Power conversations began on the 6th December, Baron von Neurath made it clear that a proposal which would postpone for at least three years the practical application of the recognition of Germany's right to equality would not be acceptable to the German Government. The suggestion for a 'window-dressing' convention had also aroused strong opposition from the smaller Powers at Geneva—who were no more favourably disposed now towards the method of informal conversation between the Great Powers than they had been in the summer—and the American and British delegations found themselves obliged to drop a proposal which met with so little approval.

The representatives of the five Powers¹ concentrated accordingly on an attempt to find a formula which would satisfy the demand of Germany that her equality of status should be recognized in principle and would at the same time satisfy France that her security would be adequately safeguarded. After five days of intensive labour the efforts of the five-Power Conference were crowned with success, and on the 11th December the following declaration was signed:²

1. The Governments of the United Kingdom, France and Italy have declared that one of the principles that should guide the Conference on disarmament should be to grant to Germany, and to the other Powers disarmed by treaty, equality of rights in a system which would provide security for all nations, and that the principle should itself be embodied in a convention containing the conclusions of the Disarmament Conference.

This declaration implies that the respective limitations of armaments of all States should be included in the proposed disarmament convention. It is clearly understood that the methods of application of such equality of rights will be discussed by the Conference.

2. On the basis of this declaration Germany has signified its willingness to resume its place at the Disarmament Conference.

3. The Governments of the United Kingdom, France, Germany and

¹ Mr. MacDonald and Sir John Simon did not return to London until the conversations had been concluded (though Mr. MacDonald paid a short visit to Paris), but Monsieur Herriot was replaced by Monsieur Paul-Boncour after the 6th December.

² The American delegate's signature applied only to the fourth clause of the declaration.

Italy are ready to join in a solemn reaffirmation to be made by all European States that they will not in any circumstances attempt to resolve any present or future differences between the signatories by resort to force. This shall be done without prejudice to fuller discussions on the question of security.

4. The five Governments of the United States, the United Kingdom, France, Germany and Italy declare that they are resolved to co-operate in the Conference with other States there represented in seeking without delay to work out a convention which shall effect a substantial reduction and a limitation of armaments with provisions for future revision and with a view to further reduction.

Agreement on this declaration was only possible because Baron von Neurath was willing to make concessions to the French view that German equality must not prejudice French security. The formula that Germany was to be granted 'equality of rights in a system which would provide security for all nations' was in harmony with a suggestion which had been thrown out by Monsieur Herriot in his speech before the General Commission of the Disarmament Conference on the 22nd July;¹ and it was acceptable to the majority of Frenchmen² because it was interpreted in the sense that the establishment of a satisfactory system of security would precede the release of Germany from her treaty obligations. On this view, the practical application of the principle of equality might be postponed indefinitely, and the acceptance of a formula which left this possibility open must therefore be considered as a conciliatory act on the part of the German Government. It was all the more significant because the head of the German Government, who telephoned his approval of the declaration to Baron von Neurath at Geneva on the 11th December, was General von Schleicher, whose utterances on the question of German armaments in the summer had done so much to embitter the controversy which was now provisionally settled. There was nothing at this time to show that General von Schleicher's term of office as Chancellor of the Reich was to prove one of the shortest on record. Indeed, the indications appeared to point in the opposite direction, and foreign observers therefore felt justified in congratulating themselves on the signs that a Chancellor who seemed capable of giving Germany the

¹ See p. 253 above, footnote.

² Except in the circles of the extreme Right, the news that Germany would return to the Conference was received with relief in France. While there were some misgivings regarding the concession of the principle of equality, moderate opinion was still inclined to take the view which had been expressed by Monsieur Herriot in October (see p. 274 above)—namely, that the greatest menace to French security lay in a failure of the Disarmament Conference, which would give Germany the excuse to rearm.

period of stable government which she so sorely needed was also disposed to be conciliatory in his foreign policy.

It was true, of course, that in accepting the declaration of the 11th December the German Government were merely agreeing to return to the Disarmament Conference in order that they might begin the process of bargaining over concrete questions of disarmament and rearmament, and there was plenty of evidence to show that, in German eyes, the real struggle over armaments was only just about to begin. At the same time, there was no tendency in Germany to underestimate the importance of the moral victory which Germany had gained in securing from France the explicit recognition of her right to equality of status in armaments. This victory was important both as a contribution in itself to the restoration of German prestige and as an earnest of further changes to come. It has been seen¹ that German opinion had not been slow in making the deduction that if one clause of the disarmament chapter of the Versailles Treaty could be abrogated no part of the Treaty could be considered sacrosanct any longer; and in her present mood Germany was not at all likely to overlook the possibility of using her equal status in armaments as a lever with which to open still wider the door that led to treaty revision. It was this consideration that had prompted the other Powers to insert into the declaration of the 11th December a paragraph reaffirming the intention of the signatories not to resort to force; and it was satisfactory that General von Schleicher's Government should have raised no objection to the inclusion of this paragraph in the declaration of the principles which were to govern the future conduct of the Disarmament Conference.

The signature of the declaration of the 11th December ended a period during which the Disarmament Conference had been compelled virtually to mark time. The new phase, in which the Conference resumed its full activity, did not open until after the Christmas recess, and it therefore falls outside the scope of the present volume. It remains to review such progress as was made by the Conference during the last three months of the year 1932, within the limits that were imposed by the absence of a German delegation, in the execution of the programme which had been laid down by the resolution of the 23rd July.

It will be remembered that that resolution, in addition to indicating certain problems which were to be studied by the Bureau or by the Commissions of the Conference, had invited the principal Naval Powers 'to confer together as to the further measures of naval reduc-

¹ See p. 280 above.

tion which might be feasible as a part of the general programme of disarmament'. During the first phase of the Conference, the difficulties which prevented the adherence of France and Italy to the three-Power London Naval Treaty had not been removed,¹ and a further obstacle had arisen in the shape of the divergent views on the best method of achieving further reduction which were revealed by the American and the British statements and proposals to the Conference.² At the end of August, discussions took place in regard to the possibilities of reconciling these divergent views; and as a result of these deliberations Mr. Norman Davis, who had gone back to the United States when the Disarmament Conference adjourned in the last week of July, returned to Europe after the vacation with new instructions. Mr. Davis spent a considerable part of the month of October in London in consultation with British naval experts and with members of the Government. These conversations were not intended to produce a definite agreement, but they were said by Mr. Davis to have proceeded 'in an excellent atmosphere'; and they were believed to have resulted in an enlargement of the common ground between the United States and Great Britain on naval questions.

Mr. Davis also made a special effort to promote the agreement between France and Italy which was an indispensable preliminary of a general naval agreement. He visited Paris both before and after his visit to London, and he also travelled to Rome in the first week of November. Mr. Davis's conversations in Paris covered other questions besides that of a Franco-Italian naval agreement (he was reported to have discussed with Monsieur Herriot the whole position in relation to security and to the German demand for equality), but the main object of his journey to Rome was to explore the possibilities of a Franco-Italian *rapprochement*.

The prospects for such a *rapprochement* at this time were not unfavourable. On the 23rd October Signor Mussolini had made a speech at Turin which had removed some of the apprehensions that had been aroused by the attitude of Italy immediately after the first phase of the Disarmament Conference had come to an end.³ He had declared that Italy would continue her membership of the League of Nations, especially since it was 'to-day very sick'. He emphasized the necessity for general recognition of the justice of the German demand for equality of status, but he reminded Germany that she could not ask to be allowed to rearm so long as the Disarmament Conference remained in existence and there was a prospect of general

¹ See p. 225 above. ² See pp. 240-1, 245-6, 284 above. ³ See p. 260 above.

agreement. If the Conference were to break down, however, Germany could not be expected to put up with the continuance of her present position. He urged that there should be collaboration between the four Western Powers (France, Great Britain, Germany and Italy). If such collaboration could be established he believed that Europe would enter upon a period of political tranquillity, and that there might be some hope of finding a solution of the economic crisis. The significance of this speech was not lost upon the French Government, and, in a speech before the Socialist-Radical Congress at Toulouse on the 6th November, Monsieur Herriot saluted Signor Mussolini's olive-branch with a friendly gesture. He declared that the policy of previous French Governments towards Italy had sometimes been unfair and unwise, and he indicated that his Government did not intend to repeat their predecessors' mistakes in this respect.

In spite of this improvement in the atmosphere between France and Italy, Mr. Davis's efforts to bring about a naval understanding produced no immediate results. Attempts to bring French and Italian naval experts together continued behind the scenes at Geneva during November and the first fortnight of December, but these again were of no avail. The only definite development in the naval field during the later months of 1931—apart from the proposals contained in the British plan of the 17th November¹—was the circulation of a Japanese scheme on the 5th December.²

The Japanese Government had found the naval section of the proposals submitted to the Conference by the United States totally unacceptable,³ and the British proposals were hardly more to their liking. Their own scheme was frankly designed to secure for Japan an improvement in the relative strength which resulted from existing naval treaties. They proposed that there should be a general naval agreement, providing for a quantitative limitation of vessels of offensive power possessed by the five principal Naval Powers, and a series of special agreements which would apply to the fleets of lesser Powers and to the auxiliary vessels belonging to the Great Powers. For the purpose of these special agreements, the countries of the world would be divided into four groups (Pacific, Atlantic, European, and South American). The abolition of aircraft-carriers was suggested, but submarines were to be retained. The maximum unit size of capital ships was to be fixed at 25,000 tons, with a maximum gun calibre of 14 inches, and maximum limits were also pro-

¹ See p. 284 above.

² The Japanese proposal was printed as Document No. 150 of the Disarmament Conference.

³ See pp. 240-1 above.

posed for cruisers, destroyers, and submarines which were somewhat lower than those in force under existing treaties. In regard to the allocation of tonnage between the three principal Naval Powers, the Japanese plan proposed a greater reduction in the total tonnage of the United States and Great Britain than in that of Japan, thus modifying the 10-10-6 ratio of the Washington and London Treaties in Japan's favour. The new ratios would be 11-11-8 for capital ships and 12-12-10 for Class A cruisers (cruisers of maximum unit tonnage of 8,000 tons). In auxiliary vessels, a uniform maximum tonnage for all five of the principal Naval Powers was suggested.

The Japanese delegation maintained that these proposals would not give Japan a sufficient increase of strength to enable her to attack the United States or Great Britain; but it was generally agreed that Japan was already impregnable in her own waters, and the increased strength which her new proposals would afford therefore did not appear to be necessary for purposes of defence. The suggestion for a modification of existing ratios was especially unlikely to commend itself to the other Naval Powers at a moment when the world was watching with grave concern the development of an imperialistic policy in the Far East; and, even if they had been disposed in principle to grant Japan's claim, a proposal which involved a reconsideration of the entire naval problem and a revision of existing treaties was not calculated to speed up the work of the Disarmament Conference.

In the absence of agreement between the principal Naval Powers, the Naval Commission of the Conference was not convened during the last three months of 1932, but a number of other committees and sub-committees were at work during this period, and several reports were submitted to the Bureau of the Conference. It has been mentioned¹ that the Bureau, when it met on the 21st September, had referred various points to the committees and had then adjourned in the hope that negotiations between the Great Powers would remove the obstacle to further progress which Germany's absence constituted. The Bureau held only one meeting in October,² but it was in session from the 3rd to 22nd November in order to keep in touch with the work of the committees. During November, also, it held two extraordinary meetings, on the 4th and the 17th, in order to hear statements from Monsieur Paul-Boncour on the new French plan³ and from Sir John Simon on the proposals of the British Government for meeting the German demand for equality.⁴

The technical aspects of the problem of disarmament in regard to

¹ See p. 266 above.

² See p. 275 above, footnote.

³ See p. 275 *seqq.* above.

⁴ See pp. 284-5 above.

which most progress was made during this period were those of supervision and of chemical and bacteriological warfare. On the 22nd September, the Bureau asked Monsieur Bourquin (Belgium) to produce a report on the powers, means of supervision, composition, and functions of the Permanent Commission which was to be established to supervise the execution of the Disarmament Convention. During its session in November the Bureau accepted Monsieur Bourquin's conclusions,¹ and it was then able to appoint a small drafting committee to prepare a text suitable for insertion into a draft convention.

On the 22nd September, also, the Bureau asked Signor Pilotti, the Chairman of the Special Committee on Chemical and Bacteriological Warfare, which had already submitted a report at the end of May,² to prepare another report dealing more particularly with the questions of prohibition of chemical warfare and breaches of the provisions for prohibition. Signor Pilotti's report,³ which was ready on the 25th October, recommended that the preparation and manufacture of chemical and bacteriological weapons should be absolutely prohibited as well as their use in warfare, and suggested that a special section of the Permanent Disarmament Commission should be responsible for supervising the execution of the provisions relating to Chemical Warfare. The Bureau considered this report on the 10th and 11th November, but the debate showed a general feeling that it would be extremely difficult to institute a system of control which would effectively prevent any state from making preparations for chemical warfare. There was also considerable discussion in regard to the question of sanctions against any state which disregarded the prohibition of the use of chemical weapons, and in this case the trend of opinion was strongly against individual reprisals, though many delegates were in favour of collective reprisals. The Bureau drew up a list of technical questions which were referred to the Special Committee on Chemical and Bacteriological Warfare. This committee was in session from the 17th November to the 13th December, and it submitted a report⁴ on the latter date. In the opinion of the members of the committee, no practicable method could be devised which would ensure the effective prohibition of preparation for

¹ Monsieur Bourquin drew up two reports on the question of supervision. The first, dated the 24th October, 1932, was printed as Document No. 140 of the Disarmament Conference (*Conf. D./Bureau. 22*); the second, which was approved by the Bureau on the 15th November, was printed as Document No. 148 (*Conf. D./Bureau. 36 (1)*).

² Conference Document No. 142 (*Conf. D./Bureau. 24*).

⁴ Conference Document No. 152 (*Conf. D./A.B.C. 37 (1)*).

chemical warfare; and they also took the view that unless the Disarmament Convention were to make provision for some kind of immediate reprisal against a state which made use of the prohibited weapons, a country which possessed a powerful chemical industry would be subject to a strong temptation to take advantage of its superiority over other countries in this respect. It will be seen that, though the investigation of this question had cleared a good deal of ground by the end of 1932, the conclusions which were reached were not specially encouraging so far as the prospects of disarmament and security were concerned.

The Bureau, during its session in November, also considered a statement on heavy guns and tanks, and reports on the air forces and on the trade in arms. The statement on heavy guns and tanks, which was submitted by Señor Buero, the Chairman of the Land Commission, did not present any conclusions for adoption, and the Bureau was obliged to recognize that it was not yet possible to carry out the recommendation embodied in the resolution of the 23rd July and fix definite limits in figures for the maximum calibre of heavy guns and the maximum tonnage of tanks. The report on the prohibition of air bombardment¹ which was submitted by Señor de Madariaga, as Chairman of the Air Commission, was also inconclusive, since it merely indicated the lines on which another special committee might be asked 'to examine the measures to be adopted to make effective the observance of the prohibition of bombardment from the air'.

A 'Committee on the Regulation of the Trade in, and Private and State Manufacture of, Arms and Implements of War' had been appointed by the Bureau on the 22nd September. The questions of trade in and manufacture of armaments had frequently come under the consideration of the competent organs of the League of Nations before the Disarmament Conference was formally seized of them in February 1932,² but it could not be said that much progress had been made towards finding a solution of these complicated problems.³ At

¹ Conference Document No. 141 (*Conf. D./Bureau. 23*).

² See p. 208 above.

³ From the year 1920 onwards the Assembly of the League of Nations had repeatedly drawn attention to the importance of the problems of manufacture of and trade in armaments. Neither the Temporary Mixed Commission on Armaments nor the Permanent Advisory Commission, both of which were at work between 1920 and 1925, was able to suggest a satisfactory solution of these problems. A draft Convention on the International Trade in Arms, Munitions, and Implements of War was prepared by the Temporary Mixed Commission, and this convention was duly signed by a number of states at an international conference in June 1925 (see the *Survey for 1925*, vol. ii,

the same time, there was evidence that world public opinion was becoming increasingly aware of the fact that to leave these problems unsolved was to endanger the whole structure of peace and security which the nations of the world were slowly and laboriously striving to erect. In 1921, the Temporary Mixed Commission on Armaments of the League of Nations had drawn attention to the 'common belief that wars are promoted by the competitive zeal of private armament firms and would be rendered less frequent were the profit-making impulse brought under control or eliminated altogether';¹ and the revelations which had come to light in the United States in 1929 regarding the activities of Mr. Shearer² at the Naval Disarmament Conference at Geneva in 1927 had reminded the world that the manufacturers of arms, whose profits would be diminished if measures for pp. 69-70. The text was printed as League of Nations Document *A. 16. 1925. ix*). In order that it should come into force, however, fourteen ratifications were necessary, and up to the end of 1932 only thirteen of the signatory states had deposited instruments of ratification—many of them subject to reservations which postponed the coming into force of the convention until seven more states had ratified. In 1928 and 1929 a special commission of the League of Nations was engaged in an attempt to prepare a draft convention on supervision of private manufacture and publicity for state manufacture of armaments, but the members of the commission found it impossible to agree upon a definitive text, though they produced a preliminary draft of a convention (text in League of Nations Document *A. 30. 1929. ix*). Further attempts to complete the commission's task were postponed until the Preparatory Commission for the Disarmament Conference should have reached agreement upon the cognate question of publicity in regard to war material. The special commission was not convened again before the Disarmament Conference assembled in February 1932, and the position at that time was that the manufacture of and trade in arms and munitions were subject only to such restrictions as might be imposed by individual countries.

¹ The Temporary Mixed Commission in their report dated the 15th September, 1921 (League of Nations Document *A. 81. 1921. C. 321. 1921*), had summarized as follows 'the objections that are raised to untrammelled private manufacture':

- (1) That armament firms have been active in fomenting war-scares and in persuading their own countries to adopt warlike policies and to increase their armaments.
- (2) That armament firms have attempted to bribe Government officials, both at home and abroad.
- (3) That armament firms have disseminated false reports concerning the military and naval programmes of various countries, in order to stimulate armament expenditure.
- (4) That armament firms have sought to influence public opinion through the control of newspapers in their own and foreign countries.
- (5) That armament firms have organized international armament rings through which the armament race has been accentuated by playing off one country against another.
- (6) That armament firms have organized international armament trusts which have increased the price of armaments sold to Governments.'

² See the *Survey for 1929*, pp. 43-4 n.

the reduction of armaments were generally accepted, were still able to exercise their financial power and their influence over the press in order to safeguard their interests.

The difficulties that had hampered the committees which had previously dealt with the questions of trade and manufacture made themselves felt as soon as the special committee of the Disarmament Conference began work on the 4th October, 1932, under the chairmanship of a Danish representative. At an early stage of the discussions Mr. Hugh Wilson announced on behalf of the American delegation that the constitution of the United States would prevent the Government from signing any convention designed to restrict manufacture in any branch of industry, and that they could only co-operate in measures for securing publicity in regard to the manufacture of armaments;¹ but when the Committee's report came before the Bureau Mr. Wilson indicated that his Government now believed

¹ The Government of the United States had, of course, frequently interfered with the trade in arms by imposing an embargo on exports to insurgents in Latin-American countries (for this policy, see the *Survey for 1930*, pp. 368-70); and from time to time attempts had been made to secure agreement on the principle that states which infringed the provisions of the Kellogg Pact ought not to be supplied with munitions. In 1929, two resolutions embodying this principle had been introduced into the Senate and the House of Representatives at Washington by Senator Borah and Representative Porter (see the *Survey for 1929*, pp. 56-8). Similar resolutions came before the Senate and the House Committees on Foreign Affairs in 1932, but no action had been taken on them when, on the 10th January, 1933, Congress received a message from President Hoover recommending that the United States should ratify the 1925 Convention on Traffic in Arms (see footnote on p. 295 above). Alternatively, the President suggested that legislation should be passed conferring upon him the authority to forbid, in his discretion, shipments of arms for military purposes. This second alternative was preferred by Congress, and Senator Borah promptly introduced into the Senate a resolution giving the President power, after he had secured the co-operation of such Governments as he deemed necessary, to proclaim the export of arms unlawful whenever he judged that such export would 'promote or encourage the employment of force in the course of a dispute or conflict between nations'. This resolution was approved by the Senate on the 19th January, but a motion for reconsideration was filed on the following day. In the House, the corresponding resolution was introduced on the 30th January, and on the 15th February the Foreign Affairs Committee of the House adopted an amended resolution which limited the application of the embargo to 'any American country'. After the change of Administration on the 4th March, the resolution was once more introduced in its original form, and was adopted by the House on the 17th April. When it came before the Senate Foreign Relations Committee, however, 'isolationist' tendencies won the day, and on the 27th May the resolution was reported out by the Committee in an amended form which provided that the prohibition of the export of arms should apply impartially to all parties to the dispute in question. This amendment, of course, altered the whole basis of the resolution, since it deprived the President of the power of using the embargo in support of international action against an aggressor.

that this obstacle could be overcome, and that they would be able to accept supervision of private manufacture of armaments if state manufacture were also subject to supervision. In the meantime, however, the discussions in the committee had revealed a decided difference of opinion between the members in regard to the scope of the measures which they should recommend. While several members, including the representatives of France and of Spain, would have liked to see the suppression of private manufacture, coupled with the introduction of strict control over state manufacture, the representatives of Great Britain, Italy and Japan considered that it was not desirable to digress very greatly from the provisions of the 1925 convention on the traffic in arms and of the preliminary draft convention of 1929 on supervision of private manufacture and publicity for state manufacture. The British attitude was that the system of registration of firms and licences for export which was in force in Great Britain provided adequate safeguards, but the majority of the members of the committee were in favour of more drastic measures.

By the 19th October, when the committee adjourned, it had been agreed that the provisions of the convention of 1925 and the draft convention of 1929 would need revision, but the committee was not yet in a position to submit concrete proposals. It appointed two sub-committees on the manufacture of arms and on the trade in arms which were instructed to proceed as rapidly as possible with the preparation of their reports, and it decided to circulate to Governments a *questionnaire* relating to the manufacture of arms which was submitted by the Danish delegation.¹ The interim report of the committee on its first session was adopted by the Bureau on the 22nd November. By the end of the year, the sub-committee on arms manufacture had drawn up two reports dealing respectively with the limitation of capital invested in the private manufacture of armaments and with personal restrictions imposed on armaments manufacturers.

Two other committees of the Disarmament Conference were at work during the autumn on questions relating to effectives and to national expenditure on defence. A Committee on Effectives was reappointed² by the Bureau on the 22nd September and began work on the 30th on the basis of a proposal submitted by the American delegation, which, in its turn, was based on the proposal of President Hoover in regard to effectives.³ A general discussion showed that

¹ This *questionnaire* was printed as Conference Document C.C.F. 31.

² For the work of the Committee on Effectives which had been appointed in May, see p. 232 above.

³ See p. 240 above.

there was agreement among the members of the committee in regard to the division of armed forces into two elements, one irreducible and the other capable of reduction, but that there was a lack of agreement in regard to the definition of the component parts of the two main divisions. In this connexion, considerable resentment was aroused in Germany by the remarks of the French delegate, Monsieur Massigli, who considered it indispensable that the German police force should be taken into account in calculating effectives. The committee appointed a technical sub-committee to examine the characteristics of police forces and similar bodies, and another sub-committee dealt with the question of colonial forces. The Committee on Effectives had not made sufficient progress to enable it to produce a report before the Conference adjourned for the Christmas recess.

The technical committee of the Commission on National Defence Expenditure¹ continued during the summer and autumn its laborious task of examining the information supplied by various countries relating to their defence budgets. By the end of November it had completed its consideration of the reports from twenty countries, including all the Great Powers, and it was still engaged on the study of material supplied by nine other states. It had also held a preliminary exchange of views on questions relating to fluctuations in the purchasing power of currencies and to the limitation of national defence expenditure, and it had begun the preparation of its report, which it hoped to be able to communicate to the full Commission on National Defence Expenditure towards the end of January.

While the absence of the German delegates from Geneva hampered the work of the technical committees of the Conference, it did not bring them to a full stop; but the Bureau had decided that no useful purpose could be served by convening the General Commission until the question of Germany's equality of status had been settled and a German delegate was ready to take part in its work once more. Accordingly, no meeting of the General Commission took place between the 23rd July and the 14th December, 1932. On the latter date, the General Commission took note of the progress which had been made by the technical committees as well as of the declaration which had been signed by the five Powers on the 11th December.² This declaration had been communicated by Mr. Henderson on the previous day to a meeting of the Bureau, which had been attended by a German representative for the first time since July. Mr. Henderson had been authorized by the Bureau to accept an invitation which had been extended to him to take part, as President of the

¹ See p. 232 above.

² See pp. 288-9 above.

Conference, in any further conversations between the Great Powers which might have a bearing on the question of disarmament. The General Commission adopted a resolution expressing satisfaction at the successful outcome of the five-Power conversations, and the return of the German delegation was warmly welcomed by practically all the speakers. Several of the representatives of the smaller states also expressed approval of the suggestion that Mr. Henderson should establish a sort of liaison between any future private conversations among the Great Powers and the Conference as a whole; but one or two of the speakers took occasion to point out that this proposal would not altogether remove their apprehensions lest the method of negotiation between the Powers should develop into a permanent institution which would usurp the functions of the Disarmament Conference.

In regard to the future programme of work of the Conference, the General Commission adopted the proposal of the Bureau that it should adjourn until the 31st January, 1933. Mr. Henderson announced that the Bureau itself would meet to prepare an agenda on the 23rd January, and that it would take into account a desire which had been expressed by the French delegation that the French plan which had been circulated on the 14th November should be discussed at an early date. The members of the delegations at Geneva, no less than the public in the countries which they represented, shared the hope which was expressed by Mr. Henderson that, when the General Commission reassembled in six weeks' time, 'the period of waiting' would 'be over and the period of definite decisions' would 'begin'. The extent to which this hope was fulfilled or disappointed will be revealed by the record of the new phase of the Disarmament Conference which opened at the end of January 1933, but that record must be reserved for the next volume of this *Survey*.

PART IV

NORTH-EASTERN EUROPE

(i) Introduction

IN the 'post-war' period, the affairs of North-Eastern Europe¹ were an important factor in the affairs of the World because of the importance of the principal parties which were concerned in the international transactions in this region. One country that was a party to all the international transactions recorded in the present part of this volume was Germany; and Germany had never ceased to be a Great Power, notwithstanding her defeat in the General War of 1914-18 and her unilateral disarmament in the subsequent peace settlement. The other principal party was Poland; and Poland was the greatest among the countries of intermediate calibre which had re-emerged since the War, as a class, upon the political map of the World.² Moreover, Poland's intrinsic importance in international affairs during the 'post-war' years was enhanced by her incidental importance as the chief military ally of France—a Great Power which had been reinstated by the outcome of the War and the dispositions of the peace settlement in a position of military and political dominance on the European Continent which had been held by Germany from 1870 to 1918, but by France before 1870—and that for a period of at least four times the length of the intervening period of German ascendancy. Thus the international friction which arose along the post-war frontiers of Poland and Germany had a more direct and potent effect upon the general fortunes of Europe and the World than the friction which was felt, during the same years, along the post-war frontiers between Italy and Yugoslavia in the Adriatic or between Hungary and the three states-members of the Little Entente in South-Eastern Europe.

This twofold importance of German-Polish relations—primarily in themselves, and secondarily in their bearing upon the relations

¹ Throughout this *Survey*, the term 'North-Eastern Europe' has been used to cover that portion of the Continent that lies east of Berlin, west of the western frontier of the U.S.S.R. and north of the Sudetan Range and the Carpathians. Physiographically, this region is no more than an arbitrarily defined slice of the Great North European Plain. Politically, it is coextensive with the territories occupied on the 'post-war' political map by Estonia, Latvia, Lithuania and Poland, together with the Ostmark of Germany taken in the widest sense. As thus used, the term excludes all the five Scandinavian or North-European countries: Finland, Sweden, Norway, Denmark, and Iceland.

² *The World After the Peace Conference*, pp. 35-6.

between Germany and France—was manifest, at the moment when this passage was written in the early summer of the year 1933, to any West-European or American observer. At the same time, there were perhaps few observers—even among those who were not either Poles or Germans themselves—whose capacity for seeing the facts in just perspective was not hampered to some extent by an inequality in the degree of their unfamiliarity with the German and the Polish languages and consequently with the German and the Polish versions of a common Western Civilization. The great majority of non-Polish and non-German observers (including, among others, the writer of the present *Survey*) had some acquaintance with the German language and literature and newspaper-press and therefore some appreciation of the German state of mind and point of view, while their ignorance of the Polish language confined them to a second-hand view of the situation as it appeared from the Polish side—and this even in some degree when they were in personal touch (through the media of the English, French, or German languages) with Polish informants. This disparity of intellectual equipment for seeing both sides of the case tended to distort the outlook of the majority of 'neutral' observers in subtle and unsuspected ways, even when their neutrality was sincere and their pursuit of impartiality was a point of professional honour. On the other hand, there was a minority of 'neutral' observers who had made the special effort to acquire a first-hand knowledge of the Polish language, Polish life and Polish thought; and this minority, on their side, were in equal danger of having their vision distorted by their natural and honourable desire to right the balance against the weight of the prevalent ignorance and prejudice. It will be seen that the history of German-Polish relations during the post-war years was a subject to which it was difficult for any human observer to do justice; and a frank confession of this plain truth is perhaps the best preface to the following essay.

If we turn, in this mood, to look at the concrete facts in the case during the period under review, we shall see that the great complex of stubborn and meticulous German-Polish conflicts and controversies can be traced to certain points of weakness, short-sightedness and selfishness in the intellectual and moral attitudes of the three parties concerned: that is to say, Germany, Poland and—last, but perhaps not least—the three Western Powers: France, the United Kingdom and the United States. It will be simplest to consider German-Polish relations first by themselves, and then to observe how the action of the Western Powers introduced fresh complications into a problem which was complicated even in its original elements.

The post-war relations between the Polish and German peoples and Governments were dominated by the fact that both parties were suffering simultaneously from a mental malady which the post-war psychologists had learnt to recognize as 'an inferiority-complex'.

In their attitude towards Germany, the Poles suffered from a sense of inferiority on the cultural plane and on the political plane alike. On the cultural plane they were sensitive to the difference (which has been pointed out above) in the respective statuses of the Polish and the German versions of a common Western culture in the eyes of the non-Polish and non-German members of the Great Society. The German language and literature enjoyed a world-wide currency and reputation which the Polish language and literature had never yet acquired. And the political disadvantage which Poland's cultural disadvantage carried with it no doubt accentuated the sense of political insecurity which was the almost inevitable legacy, in Polish minds, of the forcible suppression of Polish independence over a period of not less than a century and a half (reckoning from the First Partition of A.D. 1772 to the *de facto* recovery of Polish independence through the successive *débâcles* of the Romanov, Hapsburg and Hohenzollern Empires during the General War of 1914-18). Such feelings inclined the Poles to display, at times, an exaggerated *amour propre* in asserting their newly recovered status of independent nationhood in their post-war relations with the German Reich: the only one of the three *ci-devant* partitioning Powers that retained, in the post-war period, a palpable political continuity with its own historical past.¹ This Polish attitude towards Germany was one of the factors which made the post-war problem of Polish-German relations difficult to solve.

The second great difficulty was the German attitude towards Poland, which was likewise an expression of 'an inferiority-complex'; and this German 'complex' was, if possible, harder to remove because it had its roots in the post-war reversal of fortunes instead of being, like the Polish 'complex', a relic of the past. It was no doubt human, but none the less unfortunate, that during the immediate post-war years which were decisive for determining the nature of the new relations between Germany and Poland—at any rate for some time to come—the Germans could not forget that they had been 'top-dog'

¹ Of the other two Powers in question, the Danubian Hapsburg Monarchy had entirely ceased to exist, while the Romanov Empire had been transformed out of recognition in being turned into the U.S.S.R. On the post-war political map, Poland no longer had a common frontier with Austria, while, on the new Russo-Polish frontier, the *terre irredente* were now on the Polish and not on the Russian side of the line.

and the Poles 'under-dog' in the last chapter of history, and could not reconcile themselves to accepting the view that this chapter was now closed once and for all. It is probable that in any event German-Polish relations would have been temporarily embittered as the result of a change of the violence and the abruptness that characterized the liberation of Poland in 1918-20. There was also bound to be some question of an ultimate revision of the new treaty-frontiers between Germany and Poland—frontiers which, in the nature of the case, it was impossible to draw to the satisfaction of both parties alike, and which had been drawn more to Polish than to German satisfaction in a Peace Conference in which Poland had been, and Germany had not been, a participating party in the proceedings in virtue of being a member of the victorious group of Powers. In substance, a number of the German grievances against the Versailles Treaty, as far as it regulated the relations between Germany and Poland, appeared, in neutral eyes, to be not ill-founded. But the presentation of the German claims was frequently vitiated, and the chances of their acceptance were perpetually compromised, by the tone in which they were put forward. For this tone was apt to give the impression that the right which Germany was seeking to vindicate for herself *vis-à-vis* Poland was not so much a natural right to equality of treatment as a prescriptive right to enjoy that position of privilege over against the Poles which Prussia had acquired since 1772 and which the Reich had lost in 1918.

This German attitude was the second element of difficulty in the post-war problem of German-Polish relations; and, in the view of one well-informed and well-placed Polish observer with whom the writer of this *Survey* was in touch, this attitude caused Germany to forfeit certain special and important opportunities for cultural and economic openings in post-war Poland, from which the Reich might otherwise have benefited. Since Polish views on German-Polish relations had less currency than German views in the world at large, the readers of this *Survey* may find some interest in a textual quotation of the particular Polish view in question.

The Soviet Revolution and the disintegration of Austria-Hungary meant the almost simultaneous disappearance of two of the partitioning Powers; but that also meant the disappearance of two possible centres of attraction for a reviving Poland. Germany, the third Power, was defeated in war and for a time paralysed by revolution. She had, as well, grave frontier problems to be settled with her reconstituted neighbour. But, on the other hand, Germany still enjoyed important practical opportunities in Poland, more than did any other European state.

Half of the Polish intelligentsia, having been educated in German and

Austrian universities, were clearly influenced by German ways of thought. During the War, more than one political party with a German 'orientation' had been formed among the Poles; and although these parties were neither numerous nor popular, they included many fine minds of the older generation. At the end of the War a very great part of the Polish population possessed a knowledge of German. With the destruction of the old Russian economy Germany represented the only market of importance for Polish agricultural products and raw materials. The whole of Poland was Germany's customer, and German merchants alone knew the requirements of the Polish market. What was more, Poland had been devastated by four years of modern warfare. She was in need of everything and could pay for very little. She needed not only food, but help and friendship.

German policy was, therefore, in a position considerably to influence Polish affairs and to accomplish by methods of peace what the War had failed to achieve. Germany could, if she chose, exercise a dominating influence over Poland in the field of economics. Intellectually, and even politically, her forces were hardly less powerful. All that she had to do was to initiate conciliatory policies corresponding to the practical needs of Poland. Had she done so, Poland to-day [i.e. in 1933] would be much less independent politically, and she would still be the client of German industry.

It is a matter of history that Germany chose the opposite course. First the theory of a *Saisonstaat* was proclaimed and accepted universally within the Reich. Then the more active methods were adopted of creating difficulties with Poland, followed by direct political or economic attacks. Undoubtedly Poland suffered by these activities, but in other ways they rendered her a great service. Of this two striking illustrations may be noticed.

In 1920, during the Russo-Polish war, Danzig¹ made every effort to endanger Poland's interests. From that time on the Free City missed few opportunities of hindering Poland's utilization of the port, and even of jeopardizing Poland's international position in Danzig. Consequently the Republic was forced to adopt measures of self-defence by the creation of Gdynia, which has proved incidentally to be an excellent business enterprise. If Danzig had cultivated friendly relations with Poland—and this depended on Berlin—she would now be one of the great harbours of the world. Her experienced merchants would be in control of Poland's entire maritime trade. Zoppot would be enriched as the seaside resort for Poland. These are a few of the many possibilities which have been rejected by Danzig. As a result she shares her heritage with Gdynia.

Again, until 1925 some 60 per cent. of Poland's foreign trade was carried on with Germany, and it need hardly be stressed that this placed Poland in a dangerous position of economic dependence. Some of the most important branches of industry did not exist at all, nor did it seem that they could be created: there were no chemical or electrical plants and very few machine-workshops. The shock to the economic structure of the country was tremendous when, in 1925, Germany declared a tariff war, for Poland suddenly found herself unable to sell her coal and

¹ Perhaps it would be more accurate to write 'the dock labourers of Danzig'. See p. 371 below, footnote.—A. J. T.

her agricultural products in what had been practically their only market. Measures taken by Germany led to the fall of the newly established zloty, to a grave economic and social crisis, and finally to a series of civil disturbances. Hence Marshal Pilsudski's *coup d'état* in May 1926. That the difficulties were overcome was partly due to an extraordinary economic effort on the part of the whole Polish body-social and partly to the fortunate economic circumstances of the years 1926-9. Polish coal found its way into the Scandinavian and Baltic markets, Polish agricultural products were exported to Great Britain, France, Belgium and other countries. By the year 1929 Poland was already released from her economic dependence upon Germany and could buy or sell in the other markets of the world. Not only that, but entire new industries were in being, protected from German competition by a tariff-wall. The tariff-war had even the effect of strengthening the military position of Poland!

It may be of equal interest to examine the cultural influences exercised by Germany over Poland. With the free growth of her own civilization thwarted by the partitions, Poland was ready to appreciate the learning of other nations and to imitate their progressive methods. Her western neighbour, Germany, was indicated by circumstances as the obvious source of enlightenment and field of imitation, more especially as Germany had always held attractions for the Polish Jews. So from 1918 onwards Germany could have secured an increasing cultural ascendancy in Poland with important political consequences for the future. In fact, however, this opportunity also was thrown away; for the anti-Polish attitude adopted by Germany gradually destroyed the foundations on which she could have built. The German language, not long ago the most important foreign tongue for Poles, is being forgotten because the young people and their parents prefer to choose French and English as subjects in the secondary schools. German text-books are no longer being used in schools and universities. There are about 15,000 Polish students in foreign universities, but only an insignificant number of them study in Germany, because conditions for their stay there have been made intolerable. One after another the innumerable ties which once bound the German and Polish cultures together have disappeared. Even Polish Jews have reached the conclusion that Berlin is no longer the great centre for science, art and fashion—and this had happened before National-Socialism came into power in the German Reich.

Inevitably the change has hastened the development of Poland's own cultural resources. Moreover it has largely increased the French, English and American influences in Polish life. On the other hand, the elimination of the German influence has to some extent impoverished the cultural communion of Poland with Europe. It would be difficult to judge on the whole whether Poland has suffered by the change. Certainly the cultural expansion of Germany has received a definite setback—and this, it must be remembered, not only in Poland, but similarly also in other countries of post-war Europe, such as Czechoslovakia and Jugoslavia, and particularly in the Baltic States.

It will be seen that the post-war problem of Polish-German relations would have been difficult to solve even if a liberated and rearmed

Poland and a disarmed and dethroned Germany had been facing one another *in vacuo*. But of course the very contrast between the respective post-war situations of Poland and Germany, as compared with the pre-war state of affairs, was evidence in itself that there were other parties involved in the relationship. For Poland would not have regained her political liberty and unity and Germany would not have lost her Polish provinces and her armaments, if Germany had not been defeated by the Principal Western Allied and Associated Powers in 1918. On this account, these Powers—and particularly France, the United Kingdom, and the United States—were concerned, willy-nilly, in the post-war relations between Germany and Poland from the outset; and, in different ways, all three Powers bore their share of responsibility for the fact that, in the thirteenth year after the coming into force of the Versailles Treaty, a German-Polish *détente* was still out of sight.

The responsibility of the two English-speaking Powers lay partly in their policy towards Poland herself and partly in their policy towards France.

Having included the rights of small nationalities among their declared war-aims, and having afterwards sanctioned juridically, in the texts of the Peace Treaties, the substance of the national independence and unity which Poland and the other successor states of the Hapsburg and Hohenzollern Empires had secured for themselves *de facto* at the time of the Armistice, the British and American peoples thereafter displayed at best an indifference, and at worst an antipathy, towards these successor states. And this coldness could not be explained altogether as an incidental effect of a chivalrous regard for the post-war plight of Germany and Austria and Hungary—the defeated countries at whose expense the liberated nationalities had recovered or rounded off their own political existence. The revulsion in the British and American attitude towards the East-European successor states was also partly due to a lack of sympathetic imagination which ignored the vastness of the enterprise of starting a national life *de novo*, and which therefore made little or no allowance for initial errors and weaknesses; but, besides this, the Anglo-American revulsion was also due to a selfish concern lest the appearance of these callow successor states upon the post-war political map of Europe might possibly involve the two non-Continental Powers in fresh Continental European commitments.

In the United States, this feeling went so far on the morrow of the Peace Conference that the Senate at Washington refused to ratify not only the Peace Treaty of Versailles—including its first chapter, which was the Covenant of the League of Nations—but also the

Franco-American Treaty of Guarantee which had been signed on the same day—the 28th June, 1919—as the Versailles Treaty itself. Thereupon, the British Government availed themselves of their treaty-right in these circumstances to let the parallel Franco-British treaty of the same date lapse likewise.¹ And it was after this that French diplomacy addressed itself, with energy and success, to the task of finding substitutes in Eastern Europe for these broken reeds of the 'Anglo-Saxon' overseas world.

The principal fruit of these French diplomatic efforts was the Franco-Polish political agreement of the 19th February, 1921. And the conclusion of this treaty—for which the moral responsibility was shared with France by the United Kingdom and the United States—had an untoward effect upon Polish-German relations and upon Franco-German relations and therefore upon the international situation in Europe and in the world at large during the whole of the period that is here under review.

Nor was the situation appreciably improved by the fact that the British Government—finding themselves unable to follow the example of the United States Government in washing their hands of Continental European affairs altogether—duly ratified the Versailles Treaty, including the League Covenant, and eventually entered into the Pact of Locarno. For, in signing and ratifying the Locarno Pact, the British Government made it clear that, as far as they were concerned, they were strictly limiting their liabilities under this pact to the western frontiers of Germany, and that they were unwilling to enter into the draft Geneva Protocol or into any other general undertaking that might be held to place them under obligations of the same kind in respect of Eastern Europe.² Indeed, the British refusal to incur additional responsibilities in Eastern Europe was so emphatic as to raise a doubt in French—and in other Continental European—minds as to whether the States Members of the British Commonwealth, which had ratified the Covenant of the League of Nations, could really be counted upon much more surely than the United States, which had not ratified the Covenant, if it were a case of honouring international obligations under the Covenant in respect of a breach of the peace in Eastern Europe.

These British and American gestures account for the Franco-Polish military alliance; and this alliance introduced an unfortunate element of *raison d'état* into the French doctrine of the general sacrosanctity of 'the régime of the European Peace Treaties'.

¹ See the *Survey for 1920-3*, pp. 28-9; the *Survey for 1924*, pp. 4, 6-7.

² See the *Survey for 1925*, vol. ii, pp. 27 *seqq.*

In itself, this doctrine was neither bad morals nor bad politics. There was undoubtedly an element of spontaneous and uncalculating generosity in the French feeling of loyalty towards smaller and weaker nations which had been the allies of France in the War, or had at any rate become the partners of France upon their liberation from the Hapsburg, Hohenzollern and Romanov Empires after the Armistice. There was a genuine conviction in France that the interests of these countries were as sacred as the interests of France herself in so far as they rested upon the same treaty basis; and while post-war France to some extent—though not, of course, to the same extent as the post-war British Empire or United States—was better able than post-war Poland or Czechoslovakia to defend herself unaided *de facto*, and was at the same time less dependent *de jure* upon the Peace Treaties than was any East-European successor state for her juridical title to her post-war territory and status, there was a moral aversion in France from the American and British policy of refusing to undertake commitments in the interests of collective security on the selfish (and short-sighted) calculation that other countries, whose position seemed less secure than theirs, were potentially greater beneficiaries. At the same time, French consciences were more eloquently prompted than British or American consciences in this matter by manifest considerations of national self-interest, since the post-war situation of France—with Germany still her immediate neighbour on the Continent—was appreciably nearer to the situation of Poland or Czechoslovakia than were the situations of the English-speaking Powers. And, on this showing, the doctrine of the general sacrosanctity of the post-war treaty régime in Europe was good politics as well as good morals. For France could not plausibly claim sacrosanctity for that part of ‘the régime of the Peace Treaties’ in which French interests were involved if she assented to, or connived at, the setting aside of those parts which concerned the greater interests of weaker countries; and any breach in the Polish or Rumanian outworks of the treaty régime would establish precedents and habits and expectations which would act as potent solvents upon all the rest of the structure.

These considerations, in this setting, were equally to the credit of French hearts and French heads; and, up to this point, the doctrine of sacrosanctity was not necessarily inimical to the general interests of Europe and the world. The doctrine became a public danger when it was pushed to extremes and was applied indiscriminately to every provision of each treaty down to the last jot and tittle. This situation arose when the considerations of general justice and general expediency came to be reinforced in French minds by an anxiety not to

jeopardize an important system of Continental European military alliances between France of the one part and the Eastern European successor states of the other part. This anxiety introduced a rigidity into French policy which had an equally untoward effect upon the relations between Poland and Germany and the relations between France and Germany. This was the psychological and diplomatic atmosphere in which the transactions between Poland and Germany that are recorded in this volume all took place; and this atmosphere accentuated the difficulties that would have been formidable even in happier circumstances. If, at the close of the year 1932, German-Polish relations were a danger to the peace and well-being of the world, the responsibility for this could not be brought home exclusively to the Germans and the Poles, nor yet to the two protagonists together with the French. A large share of the responsibility rested with the British and the Americans; and this responsibility was certainly not diminished by the somewhat pharisaical blindness to its existence which was characteristic of the post-war attitude of the English-speaking peoples on either side of the Atlantic.

At the time of writing, in the early summer of the year 1933, a new political factor had been introduced into the situation by the violent and sweeping victory of the National-Socialist Movement in Germany since the beginning of the year. And at the moment it was impossible to predict what the influence of this factor would be—beyond hazarding the guess that the unknown quantity would prove to be of a high order of magnitude. Herr Hitler and his companions claimed that the moral effect of their triumph was to restore the national *moral* of the German people by raising them out of a moral prostration in which they had been lying ever since the military and political *débâcle* of the old Prussian régime in the autumn of 1918. If this claim were justified by the event, it might actually prove easier for Germany, after the advent of Herr Hitler to power in Berlin, to come to grips with the problem of German-Polish relations in a realistic and constructive way (as, for example, the less formidable problem of Italo-Yugoslav relations had been handled by Signor Mussolini in 1924).¹ The principal condition required for success was that the problem should be reconsidered between the two protagonists at a time when they were both more or less free from the respective 'inferiority-complexes' that had been paralysing both of them hitherto. And, whatever the psychological effect of the National-Socialist Revolution in Germany might be, there was no doubt that in Poland, by this same year 1933, a more gradual and less sensational

¹ See the *Survey for 1924*, Part II B, section (iii).

course of events had produced a distinct psychological change for the better. By the year 1933 a Poland which had succeeded in maintaining and fortifying her restored national existence over a period of fifteen years, and which was now standing the strain of the World Economic Crisis at least as well as any other great country in Europe or overseas, could assuredly smile, instead of wincing, at echoes of the old formula that this post-war Poland was a *Saisonstaat* for whose demise the Germans could afford to wait, and for whose life the English and American insurance-brokers could not afford to issue a policy. In 1933 Poland was manifestly in a strong enough position to waive any over-sensitive insistence upon every jot and tittle of her juridical rights and status. And she was thus psychologically ripe for coming to a practical understanding with Germany, if the psychological conditions proved to be equally auspicious on the German side. Other favourable factors were the calm and conciliatory temper of the French electorate as evinced in the results of the general election of the 1st and 8th May, 1932, and the policy of Monsieur Daladier, whose administration was securing the support of a majority in the Chamber which these last elections had returned. Even the English-speaking peoples were beginning, in 1933, under the *peine forte et dure* of the economic screw, to ask themselves whether 'enlightened self-interest' might not lie, after all, in giving a faintly affirmative answer to the question 'Am I my brother's keeper?'

Thus, though in the early summer of 1933 a Polish-German *détente* was not yet in sight, the psychological conditions were not altogether unpropitious. And, although the very collocation of the word '*détente*' with the names of Poland and Germany might conjure up the vision of a political chimaera, the sceptic who asked for a sign might well be reminded that, only three years before, a Graeco-Turkish *détente* had actually been achieved, and that the statesmen who had achieved it—a Venizelos and a Mustafâ Kemâl—were, after all, mortal men of like passions with a Hitler and a Pilsudski. When the miracle of Graeco-Turkish reconciliation was an accomplished fact, it might well be reckoned that no reconciliation between any pair of enemies was beyond the bounds of possibility.

(ii) Relations between Germany and Poland (1926–32)

(a) INTRODUCTORY

It is not possible, within the scope of this *Survey*, to analyse in any detail either the causes or the manifestations of the secular hostility between Germany and Poland during the post-war

years.¹ While the two countries did succeed, during the period under review in this volume, in settling a considerable number of the detailed questions which the Peace Settlement had left open² (a process which called for a greater readiness to co-operate than the outside world was generally inclined to attribute to Germans and Poles in their dealings with one another), the fact remained that the tension between them never relaxed sufficiently to allow of the establishment of normal friendly relations. The main subject of controversy between the two countries was, of course, the durability of the frontier-line between them,³ and in this controversy psychology and sentiment played their part as well as concrete grievances and claims.

An adequate examination of German and Polish arguments on the frontier question would require a volume to itself; but, without attempting to decide how much justification there was in fact for the German view that the situation was intolerable, it may safely be said that the German nation was at one in its conviction that the eastern frontier of Germany, as it had been drawn by the Peace Treaty, could not remain a permanent feature of the map of Europe.⁴ This German conviction was completely incompatible with the determination of Poland not to yield to Germany even the smallest portion of the territory which the Polish representatives had claimed successfully, on historical, ethnographical, and economic grounds, from the Peace Conference at Paris. This fundamental difference over the frontier gave rise to mutual hatred and suspicion between Germany and Poland, which poisoned the whole atmosphere of Eastern Europe.

The mutual distrust between Germany and Poland was particularly conspicuous and particularly harmful in its effects on the policy of the two countries in regard to armaments. The fact that Germany, in signing the arbitration treaty with Poland which formed an annex

¹ The record of relations between Germany and Poland is one of continued tension and friction, but it presents relatively few of those climaxes or special crises which call for inclusion among the outstanding events of any particular year, and it has occupied comparatively little space in this series of volumes hitherto. In the *Survey for 1920-3* (Part III, section (ii) (3) (e), an account was given of the Polish-German negotiations arising out of the partition of Upper Silesia; and in the *Survey for 1925* (vol. ii, Part II B, section (ii)), the relations between the two countries in the years 1924-5 were sketched.

² See p. 326 below.

³ See p. 304 above.

⁴ By the beginning of 1927 there were signs that German public opinion had become more or less reconciled to the loss of Posnania; but few representative Germans, whatever their politics might be, even pretended to accept the position in Upper Silesia, the Corridor, or Danzig. (The special problems arising in connexion with the Free City of Danzig are dealt with in a separate section of the present volume.)

to the Locarno Pact,¹ had undertaken to use none but peaceful means for the settlement of her disputes with Poland, modified hardly at all the Polish conviction that Germany would one day attempt to bring about a revision of her eastern frontier in her own favour by force of arms. Nothing less than an 'Eastern Locarno'—in which the inviolability of the German-Polish frontier would be guaranteed in the same way as the German-French and German-Belgian frontier was guaranteed by the Locarno Pact—would have assuaged Polish fears on this score; but the attempts which were made from time to time by Poland, with French support,² to introduce the idea of an 'Eastern Locarno' into international discussions met with no success. Polish uneasiness was reflected both in the size of the Polish army³ and in the frequent expression of the suspicion that Germany was not carrying out her obligations under the military clauses of the Treaty of Versailles. Polish opinion was specially perturbed on the subject of the fortifications at Königsberg, and at Küstrin and other centres in the eastern provinces of Germany, which were still in existence when the question of the termination of the military control of Germany's disarmament was under discussion at the end of 1926.⁴ Monsieur Zaleski, the Polish Foreign Minister, took an active part in the negotiations which preceded the withdrawal of the Military Control Commission from Germany in January 1927, and he succeeded in securing, as part of the settlement, the destruction of some of these fortifications. Thereafter, the Poles continued to find cause for suspicion in the activities of German semi-military associations such as the *Stahlhelm*—which was apt to choose the neighbourhood of the Polish frontier for its manifestations⁵—and in the naval building programme which was announced in Germany in 1927.

This naval programme, with its provision for the construction of 'pocket battleships', was a matter of concern to other Powers besides Poland;⁶ but it was also an illustration of the effects of the mutual fears and suspicions in which Poles and Germans habitually indulged.

¹ See the *Survey for 1925*, vol. ii, Part I A, section (iii).

² For instance, when the question of the evacuation of German occupied territory was under discussion, during the years 1927-9 (see the *Survey for 1927*, Part II A, section (d); the *Survey for 1929*, Part II, section (i)), Polish and French statesmen were reported at intervals to be trying to make an 'Eastern Locarno' a condition for evacuation before the Treaty date.

³ In this connexion it must be remembered, of course, that Russia as well as Germany was a neighbour of Poland.

⁴ See the *Survey for 1927*, Part II A.

⁵ For instance, *Stahlhelm* meetings took place at Marienburg, in East Prussia, in October 1928 and at Breslau in May 1931 (see pp. 318 and 323 below).

⁶ See the *Survey for 1929*, pp. 60-3; the *Survey for 1930*, pp. 48 and 65 n.; and the *Survey for 1931*, pp. 32, 80, 276-7, and 288 n.

Polish apprehensions that Germany's campaign for frontier revision would lead to war resulted in an intensification of Polish militarism; and Polish militarism, in turn, strengthened German apprehensions that Poland had aggressive designs upon East Prussia. These German fears for East Prussia found authoritative expression in November 1928 in a memorandum by the Minister of Defence, General Groener, on the subject of *Panzerschiff A* (subsequently named the *Ersatz-Preussen*)—the first of the 10,000-ton armoured cruisers which came to be known as 'pocket-battleships'. In this confidential memorandum, which was addressed to the leaders of the German political parties, with the object of inducing them to vote the credits for *Panzerschiff A*, General Groener pointed out that the purpose of the armed forces of Germany was to prevent a raid upon German territory and to guard the frontier until either the League of Nations or a Great Power intervened in favour of Germany. He declared that the behaviour of Poland was proof that a raid upon East Prussia—similar to those by which Poland had taken possession of Vilna and Lithuania of Memel—might actually take place, and he enumerated certain signs in the frontier provinces which appeared to indicate that 'both economically and by working upon the inhabitants' the Poles were 'creating a jumping-off place for a raid'. A copy of General Groener's memorandum found its way to London, and its publication, in translation, in an English periodical¹ in January 1929 created something of a sensation.

Since General Groener's memorandum had not been intended for publication, he was not open to the charge of having acted in a deliberately provocative manner towards Poland, but not all German Ministers could plead guiltless on that score. Indeed, it was a special feature of the campaign for revision of the eastern frontier which was waged untiringly in Germany that it was not confined to the press,² but that men in prominent positions, including members of the Government, repeatedly made public affirmation of their belief that the territorial settlement in the east was not definitive. The degree of provocation to Poland which was entailed by press articles and by public declarations on the frontier question varied with the political complexion of the journal or the speaker and with the moment of publication or of utterance (election manifestoes and speeches, for instance, were apt to be couched in specially intransigent

¹ *The Review of Reviews*.

² The cinematograph was also used to a considerable extent for the dissemination of what was considered in Poland to be anti-Polish propaganda. In 1927 the Polish Government retaliated by prohibiting the import of German films into Poland.

terms); but such articles and declarations hardly ever failed to produce a reaction of some kind from Poland. Such Polish reactions—whether they took the form of official declarations that frontier revision was out of the question or of manifestations of anti-German feeling, ranging from relatively harmless demonstrations to actual ill-treatment of members of the German minority—were apt to provoke the Germans to retaliate in turn; until provocation and retaliation had formed themselves into a vicious circle which it was almost beyond the powers of statesmanship to break. In a situation of this kind, it was to the credit of both parties that the strained relations between them should not have prevented steady if unspectacular progress in disposing of the exceptionally large number of questions which arose as a result of the transfer of German territory to Poland. The negotiation of technical and other agreements did not, of course, proceed without encountering many obstacles. The difficulties which arose over such questions as the liquidation of property and the status of minorities, as well as over the negotiation of a commercial treaty, are dealt with in later sub-sections; but these controversies and negotiations can only be seen in proper perspective against a background in which the most prominent feature was the question of frontier revision. Accordingly, it may be convenient, at this stage, to review briefly the main phases through which German-Polish relations passed during the seven years 1926-32, in order to indicate the extent to which those relations were embittered and complicated by the underlying conflict over the frontier.

It has been mentioned that the Locarno agreements of October 1925 disappointed Polish hopes of a guarantee of the frontier with Germany, and although the Locarno Conference was followed by a certain relaxation of the tension between Germany and Poland, the improvement was not destined to last long. In February 1926 great resentment was aroused in Germany by the action of the Polish authorities in Upper Silesia in arresting certain members of the German minority on a charge of espionage.¹ In March, Polish suspicions of Germany's intentions were reflected, during the special session of the League Assembly which failed to admit Germany to membership of the League,² in the insistence of the Polish Government upon obtaining a seat on the Council at the same time as Germany. In April Poland found fresh cause for concern in the announcement that Germany was in negotiation with the U.S.S.R. for a treaty of non-aggression, which was signed on the 24th of that

¹ See p. 315 below.

² See the *Survey for 1926*, Part I A, section (i).

month.¹ In May, the two Governments were engaged in litigation before the Permanent Court of International Justice on the subject of the expropriation of the nitrate factory at Chorzów and of other German interests in Polish Upper Silesia.² In September the question of German and Polish representation on the League Council was settled by the admission of Germany to a permanent, and of Poland to a 'semi-permanent' seat.³ When the year closed, Poland was displaying apprehension at the prospect of the withdrawal of the Military Control Commission from Germany.⁴

At the end of January 1927 a settlement was reached in regard to the question of Germany's eastern fortifications, in which Poland was specially interested, but this was followed almost immediately by the expulsion of certain German officials from Polish Upper Silesia. This action by the Polish authorities was the reason alleged on the German side for the sudden interruption of the negotiations for a commercial treaty which had been dragging on since 1925.⁵ At the March meeting of the League Council conversations between Dr. Stresemann and Monsieur Zaleski, the German and Polish Foreign Ministers, resulted in agreement for the resumption of the commercial negotiations on a new basis; and at the same time the Council agreed on a compromise solution of difficulties regarding the admission of children to minority schools in Polish Upper Silesia.⁶ On the 1st May, however, an incident occurred which led to a display of strong resentment by Poland. On that day Herr Hergt, one of the leaders of the German National Party who was at the time Vice-Chancellor and Minister of Justice in Dr. Marx's Coalition Government, declared, in the course of a speech delivered at Beuthen, in German Upper Silesia, that no German Government would ever conclude an 'Eastern Locarno' guaranteeing the permanence of the frontier with Poland. Rumours that the Polish Government intended to present a formal note of protest against this speech proved unfounded, but the Polish Minister in Berlin was understood to have referred to the matter in a conversation with Dr. Stresemann. The main objects of Dr. Stresemann's foreign policy at this time were to bring about an improvement in Franco-German relations and to secure the evacuation of the occupied territory in the Rhineland before the Treaty date,⁷ but his preoccupation with Western problems did not blind him to the desirability of a relaxation of the tension in the East. Accordingly,

¹ See the *Survey for 1927*, p. 307.

² See the *Survey for 1926*, *loc. cit.*

³ See p. 337 below.

⁴ See the *Survey for 1927*, Part II A, sections (d) and (e).

⁵ See p. 329 below.

⁶ See p. 313 above.

⁷ See pp. 354-5 below.

he dealt with the Polish complaints against Herr Hergt's speech in a conciliatory manner. Except for continued litigation over the question of the Chorzów factory,¹ the remainder of the year 1927 was relatively uneventful. A further personal intervention by Dr. Stresemann early in November led to a quickening up of the commercial negotiations, and by the beginning of 1928 an improvement in the general relations between the two countries could be observed. Polish opinion was pleasantly surprised because Germany had not taken the part of Lithuania² in discussions regarding the Polish-Lithuanian controversy which had recently taken place in the League Council, and in January 1928 Monsieur Zaleski declared in a speech at Warsaw that German-Polish collaboration at Geneva had brought about a real measure of *rapprochement*. At this stage, unfortunately, the Poles took a step which was considered provocative in Germany by enlarging the zone on the frontier in which special conditions regarding foreigners were in force.³ This resulted in a further interruption of the commercial negotiations, and gave an additional stimulus to the German campaign for treaty revision. In March 1928, for instance, a congress of the German People's Party passed a resolution opposing the conclusion of a commercial treaty with Poland and declaring that the eastern frontier could never be accepted.

During 1928, moreover, the negotiations for the evacuation of the Rhineland entered upon a more active phase,⁴ and Polish opinion began to be perturbed lest a solution of this question should release German energies for the campaign for revision of the eastern frontier. Monsieur Zaleski announced at the end of May in a speech at Warsaw that Poland had interests to defend in the matter of the evacuation of the Rhineland, and he was known to be exerting every effort in order to induce the French Government to link the question of

¹ See pp. 329-30 below.

² In January 1927 the Warsaw press had contained alarmist articles on the subject of an alleged intrigue for the restoration of the Polish corridor to Germany in return for the incorporation of Memel in Poland. A solution of this kind had been advocated by Count Coudenhove-Kalergi, the publicist of the 'Pan-Europa' movement, and Dr. Stresemann had discussed the possibility with one or two authorities, including Dr. van Hamel, the League High Commissioner for Danzig (see the article by Dr. van Hamel in *Dantzig et quelques aspects du problème germano-polonais*, published in 1932 by the European Centre of the Carnegie Endowment for International Peace). The nature of the proposal and the amount of support it received in Germany seem to have been exaggerated, but Monsieur Zaleski took the press agitation sufficiently seriously to make it the occasion for one of his periodical pronouncements against any revision of the Polish frontiers.

³ See p. 338 below.

⁴ See the *Survey for 1929*, Part II, section (i).

Polish security with that of French security. These Polish manoeuvres aroused strong opposition in Germany. On the other hand, the Poles found cause for complaint in certain remarks made by President von Hindenburg in the course of his first visit to German Upper Silesia, which took place during September 1928. The President recalled the fact that 60 per cent. of the population of Upper Silesia had voted in 1921 in favour of the continuance of the union with Germany, and he declared that no other part of Germany had suffered as much as Upper Silesia from the results of the Treaty of Versailles and of the 'incomprehensible' League award. President Hindenburg's observations were the subject of much hostile comment in the Polish press, and the storm had hardly begun to subside when fresh cause for resentment was found in the chauvinistic tone of certain speeches which were made, during the first week of October, at a *Stahlhelm* meeting at Marienburg. The year closed with a more than usually heated exchange on the subject of minorities in Silesia¹ between Dr. Stresemann and Monsieur Zaleski, both of whom abandoned, during a League Council meeting at Lugano, any attempt to live up to the reputation for conciliation which both had gradually acquired.

The year 1929 opened badly with the publication of General Groener's memorandum on *Panzerschiff A*, which has been mentioned above.² In February, the Polish authorities in Upper Silesia arrested, on a charge of treason, the leader of the German minority organization in Upper Silesia,³ whose cause was espoused with much warmth by his compatriots across the frontier. In May, further provocation came from the German side, when the members of a Polish opera company, who had been invited to give a performance in Oppeln, were assaulted by a number of German youths.⁴ Nevertheless, before the close of the year which had begun so unfortunately, German-Polish relations had undergone such a remarkable improvement that the opening of a new era appeared, for a moment, to be at hand. The signature of a comprehensive liquidation agreement on the 31st October, 1929, involved certain financial sacrifices on both sides, but these were more than compensated by the final settlement of questions which had given rise to much friction and ill-will.⁵ The mutual concessions which made this agreement possible indicated that the abandonment of the methods of conciliation by the German and Polish Foreign Ministers in December 1928 had been temporary and

¹ See sub-section (d), p. 355 below.

² p. 314.

³ See pp. 357-8 below.

⁴ See p. 349 below.

⁵ See sub-section (b) below. It was noticeable, however, that German press comments on the agreement were careful to point out that it could not be considered in any sense as a prelude to an 'Eastern Locarno'.

not permanent. Dr. Stresemann was engaged in an attempt to solve the difficulties which still hampered the negotiations for a commercial treaty at the moment of his death on the 3rd October, 1929,¹ and his services to the cause of international understanding received public recognition from Monsieur Zaleski at the session of the League Council in January 1930. It happened to be the turn of the Polish representative to preside over the Council meeting, and the tribute which he paid to Dr. Stresemann's memory from the chair was couched in terms of genuine friendliness and regret which elicited an equally friendly response from the German representative on the Council and a special telegram of thanks from the German Chancellor.

At this moment, when the prospect seemed clearer than it had ever seemed before, the clouds were already beginning to gather once again. Opposition to the liquidation agreement of October 1929 was making itself felt in both countries, and though the agreement was ratified by Germany in March 1930 the degree of reluctance with which the process was carried to completion told its own tale.² Even the long-deferred signature of a commercial agreement on the 17th March, 1930,³ proved to be nothing but the signal for the opening of a new phase of German-Polish hostility. In May, elections for the local Sejm took place in Upper Silesia, and Polish opinion was alarmed by the success of the German candidates, who secured two more seats than they had held in the previous Sejm. These elections were followed by a number of incidents on the German-Polish frontier which were not particularly serious in themselves but which were symptoms of the reanimation of feelings of hostility.⁴ The investigation of these incidents by mixed commissions merely provided further opportunities for mutual recrimination and failed to prevent their recurrence, and towards the end of July conversations took place at Berlin with the object of deciding on measures which might be applied by the local authorities if further incidents should take place.

The 30th June, 1930, saw the completion of the evacuation by Allied troops of German occupied territory,⁵ and subsequent events appeared to provide some justification for the Polish fear that the

¹ See p. 339 below.

² See p. 333 below.

³ See p. 339 below.

⁴ The most serious of these incidents occurred at Neuhofen at the end of May, when a Polish customs official was killed on the German side of the frontier. Investigations by a mixed commission failed to produce agreement as to which party was guilty of aggression; but they did appear to prove the existence of a system of Polish espionage along the frontier, which was in itself an indication that the situation was not normal.

⁵ See the *Survey for 1929*, p. 188.

departure of the Allied troops from the Rhineland would mark the beginning of a period in which the revision of the eastern frontier would form the principal object of German foreign policy. The elections for the Reichstag were due to take place early in September 1930, and the press of the Right and Centre preached the cause of frontier revision with special fervour during the summer as part of the election campaign. In August Herr Treviranus, a member of the German Government, delivered a series of election speeches which caused an international sensation. Herr Treviranus, who was a member of the Nationalist Party, had held the post of Minister for the Occupied Territories until the evacuation of those territories had been completed, and he had then been appointed to take charge of special arrangements for the relief of the eastern provinces of Germany.¹ On the 10th August Herr Treviranus made a speech in Berlin in which he referred to the 'unhealed wound' in Germany's eastern flank, and declared that the future of Poland could only be assured if Germany and Poland were not kept in perpetual unrest by an unjust frontier line. Such a frontier line, he added, could not endure against a people's right and will to live. Two days later, in a broadcast statement, Herr Treviranus explained that he had had no intention of advocating a resort to force or any violation of international engagements, and that Germany was relying upon the possibility of frontier revision which was envisaged in Article 19 of the Covenant of the League of Nations. A few days later he returned to the charge again, in a declaration that the eastern frontier was 'the next urgent question' which awaited solution.

Herr Treviranus's insistence, in his second speech, on the adoption of peaceful methods did little to modify the intense resentment which was aroused in Poland by these utterances on the part of a member of the German Government. This resentment was increased by the fact that the German press, in its comment on Herr Treviranus's speeches, was practically unanimous in praising the frankness with which he had expressed what every German thought and believed on the subject of the eastern frontier. Monsieur Zaleski was understood to have made a strong verbal protest to the German *chargé d'affaires* in Warsaw, and anti-German demonstrations took place at Warsaw, Cracow, and Poznań, and also in Upper Silesia. Polish resentment and apprehensions were naturally not diminished by the sensational 'Nazi' successes in the German election which took place on the 14th September, 1930.² Poland was not alone in fearing that

¹ See p. 340 below, footnote.

² See the *Survey for 1930*, Part I, section (1), especially pp. 8, 22, and 28.

the unexpectedly large increase in the parliamentary strength of Herr Hitler's followers portended the abandonment of the policy of conciliation, which had been specially associated with Dr. Stresemann's period of office as Foreign Minister, in favour of the methods of 'direct action'. These fears proved in the event to have been exaggerated; but at the same time it could not be denied that the German Government showed fewer signs, from the summer of 1930 onwards, of a desire to bring about a *rapprochement* with Poland.¹

It was unfortunate that an election campaign in Poland should have followed close on the heels of the election campaign in Germany, thus providing ample opportunity for the display of the anti-German feeling which had been quickened by the declarations of Herr Treviranus and by other election speeches in Germany. The intensification of racial animosity during the preparations for the Polish elections of November 1930 and at the time of polling produced its worst results in Upper Silesia,² where the hostility of Poles to Germans took the form of interference with the electoral rights of the minority and of assaults on individual Germans which were more serious than any that had taken place since the Polish insurrection of 1921. The situation was so grave that the German Government took the step of anticipating a formal complaint from the German minority to the League by themselves drawing the attention of the Council to the Polish excesses.

The Council dealt with the German protests at its session in January 1931 in a manner which checked, for the moment, the growth of German discontent with the proceedings of the League. Monsieur Zaleski virtually admitted the charges brought against the Polish authorities and accepted without demur the terms of a strong Council resolution. In spite of the hot feeling which had been aroused on both sides, the lengthy debate between Monsieur Zaleski and Dr. Curtius, the German Foreign Minister, was conducted with moderation, though Monsieur Zaleski commented sharply on a reference made by Dr. Curtius to the unanimity of German opinion in regard to the necessity for a revision of the eastern frontier.³

¹ A tendency on the German side to hang back was especially noticeable in the field of economic relations (see p. 341 *seqq.* below).

² See p. 360 *seqq.* below.

³ See p. 366 below. A few days before the opening of the Council's session, the German Socialist journal *Vorwärts* had commented on the campaign for frontier revision in terms which marked a departure from the usual practice of the German press. The writer had expressed the opinion that it was not fair to the German population on the other side of the Polish frontier to suggest constantly to them that it was impossible for them to live under existing conditions.

Thereafter the Polish authorities took steps to tranquillize the German minority in Upper Silesia, and by May 1931, when the question came before the Council again, the situation was reported to have greatly improved.

In March 1931, also, the Polish Sejm had made a gesture of conciliation by ratifying the liquidation agreement of October 1929 with Germany and the commercial agreement of March 1930, both of which had remained unratified hitherto—largely on account of the constitutional troubles from which Poland had been suffering.¹ This action, however, did not avail to bring about a *détente*. In the third week of March Dr. Brüning, the German Chancellor, attended the celebrations at Beuthen of the tenth anniversary of the Upper Silesian plebiscite,² and in the course of his speech he remarked that the German protest against the partition of Upper Silesia had never been withdrawn, and that the Silesian population could count on the support of the Reich as a whole. Herr Severing, the Prussian Minister of the Interior, who accompanied Dr. Brüning, went still further and declared that Germany would never cease to demand the modification of the situation in Upper Silesia. This demonstration followed immediately after the announcement, on the 21st March, that Germany and Austria intended to conclude a customs union.³ Poland naturally ranged herself with the opponents of this scheme, which continued to complicate international politics for some six months. In April the tension between Germans and Poles at Danzig, which had been increasing steadily during the past eighteen months, became suddenly acute, and the situation continued to be dangerously strained for some weeks.⁴ At the beginning of May, Poland replied in kind to the anti-Polish demonstration at Beuthen in March by arranging celebrations at Katowice of the tenth anniversary of the Polish insurrection

¹ See p. 333 below.

² At the beginning of January Dr. Brüning had made a tour of the eastern provinces in order to investigate the situation there at first hand and to prove to the population, on both sides of the frontier, that the Government of the *Reich* were not forgetful of their interests and sympathized with their troubles. Communist agitation in various centres rather detracted from the effects of the tour, which had a practical result in the expansion of the *Osthilfe* schemes of the Government (see pp. 340–1 below). The proceedings were watched with suspicion by Poland, but Dr. Brüning and the other members of his party refrained, on this occasion, from speech or action of a provocative kind. On the other hand, the German Government found occasion to protest to the Polish Government against the action of three Polish airmen who had flown over Oppeln during the Chancellor's visit. The crossing of the frontier by aeroplanes was a source of considerable friction at this time.

³ See the *Survey for 1931*, Part III A.

⁴ See section (iii) of this part of the present volume.

in Upper Silesia, which were attended by the President of the Polish Republic and by the Prime Minister. The early summer of 1931 was again marked by a number of minor frontier incidents. In June the Polish Government took objection to the provocative speeches which had been made at a *Stahlhelm* rally at the end of May; while the German Government, in their reply, called the attention of the Polish Government to recent demonstrations of a chauvinistic kind on the Polish side. The arrest and trial of a Polish subject who was said to have 'spied' on the *Stahlhelm* meeting was considered in other countries besides Poland to be an indication that the activities of the *Stahlhelm* were not as harmless as the German Government maintained.¹

If symptoms of the uneasy relations between Germany and Poland were less in evidence during the second half of 1931, this was attributable not so much to any real improvement in the situation as to the fact that attention was concentrated on the development of the world economic crisis. In October the question of the German-Polish frontier came to the fore once again, in consequence of a declaration by Senator Borah, the chairman of the United States Committee on Foreign Relations, on the necessity of revising the régime created in Europe by the Peace Treaties as a means of securing relief from the existing economic depression.² The chapters of the Peace Treaties which Senator Borah singled out as most urgently needing revision were those relating to the Polish Corridor, Silesia, the frontiers of Hungary, and Reparations. Senator Borah's pronouncement derived special significance from the fact that it was made during the visit of the French Premier, Monsieur Laval, to the United States;³ and Poland immediately became apprehensive lest the question of frontier revision should enter into the international discussions which were in progress. The Polish Government made no official rejoinder to Senator Borah, but Monsieur Zaleski declared at once that the position of the Government, and of the entire nation, in regard to frontier revision, could 'be summarized in the formula of an absolute *non possumus*'.

Senator Borah's declaration had no further direct consequences, but the year 1932 was marked by a general feeling of increasing tension between Germany and Poland.⁴ The principal danger-spot

¹ See the *Survey for 1931*, p. 288.

² *Op. cit.*, pp. 126-7.

³ *Op. cit.*, pp. 124-6.

⁴ There were not many actual 'incidents' during the year. There was a minor affray on the frontier at the beginning of July, and diplomatic relations were strained for a while as the result of an incident on the 31st July, when the German *chargé d'affaires* in Warsaw removed a Polish flag which had been

was again felt to be the Free City of Danzig, where the economic situation and the resentment of the German population against Poland were growing more serious every day.¹ The German Nationalist press became more insistent than ever in its demand for frontier revision and for the restoration of Danzig to Germany. Rumours were current in Poland in the spring that a Nazi *Putsch* was in preparation at Danzig, and on the other hand there was a sensational report, which was given publicity by certain organs of the British press, to the effect that Poland contemplated taking possession of the Free City by force.² In the early summer there was some discussion regarding the alleged intention of the German military authorities to construct fortifications in the 'Heilsberg Triangle' of East Prussia—a portion of territory which was not included in the zone in which fortifications were prohibited by the decision given by the Conference of Ambassadors at the time of the termination of Allied military control over the disarmament of Germany.³

The fall of Dr. Brüning's Government and the advent of Herr von Papen's 'Junker' administration at the beginning of June did not augur well for an improvement in German-Polish relations, since the protectionist and nationalist policy of the German land-owning class had always been coloured by more than a tinge of special hostility towards Poland. The campaign of anti-Polish propaganda certainly did not diminish in intensity during the second half of 1932, and the population on either side of the frontier was kept in a perpetual state of agitation by preparations for defence against a possible attack. On the German side, in particular, the manœuvres of military or semi-military organizations and other activities—such as the making of entrenchments and field-works by batches of unemployed men—were given publicity in the press as measures of defence against threatened Polish aggression. A special feature of this campaign in East Prussia during 1932 was the organization of 'gas drill', when the civilian inhabitants of towns and villages were required to rehearse the part which they would play in the event of an air attack.

hoisted on the fence of the garden belonging to the house in which he lodged on the occasion of celebrations which were held in connexion with the ceremony of the benediction of the Polish fleet at Gdynia.

¹ See section (iii) of this part of the present volume.

² At the end of March the Polish Minister in Berlin called at the Wilhelmstrasse to protest against the publication of such reports, which had, he declared, no foundation whatever.

³ See the *Survey for 1927*, Part II A.

It was only to be expected that Polish suspicions should have been aroused by the determined stand which Germany took during 1932, at the Disarmament Conference and in subsequent negotiations with the Great Powers, in regard to her equality of status in armaments.¹ In Polish, even more than in French, eyes, every attempt on the part of Germany to secure a departure from the strict letter of the Peace Treaty seemed to be a move in a campaign to undermine the whole Peace Settlement, and more especially its territorial provisions; and when Germany claimed the right to rearm if other Powers did not disarm down to her level, Polish observers at once drew the conclusion that she was preparing to reconquer her lost eastern provinces with the sword. The nervousness of Poles in regard to Germany's intentions was naturally not diminished by the pointed references to the necessity of defending East Prussia against enemy attack which were made by responsible German spokesmen like General von Schleicher² during the summer and autumn, as part of the campaign for securing equality of armaments. The preliminary settlement of the questions raised by Germany's demand for equality which was reached at Geneva in December³ and which enabled a German delegation to return to the Disarmament Conference did nothing to remove Polish fears, and the slight *détente* which was observable in regard to Germany's relations with the Western Powers as the year 1932 closed did not extend as far as her eastern frontier.

At the turn of the years 1932 and 1933, the developments which were to take place in Germany's internal and international position during the next few months were still unforeseen, but it was clear at least that the preoccupation of the German people with urgent political and economic problems was not causing them to forget their interest in questions relating to the *Ostmark*, nor to weaken in their determination not to accept the existing situation as definitive. On the other hand, it could not be said that Polish official circles were displaying any greater readiness than in the past to consider the desirability of making concessions to the German point of view. Indeed, the growth of German nationalism had apparently strengthened the nationalist spirit of that section of the Polish public which saw a new partition of Poland in any proposal for modifying the territorial provisions of the Peace Settlement and which proclaimed

¹ See the present volume, Part III, section (ii).

² General von Schleicher made a speech at Königsberg on the 6th September in which he announced the Government's intention of taking the necessary measures to defend East Prussia whatever the outcome might be of the negotiations over Germany's right to equality in armaments (see pp. 261-2 above).

³ See pp. 288-9 above.

it to be the duty of every patriotic Pole to be ready to sacrifice his life in defence of his country's territorial integrity. At the end of the year 1932 it still remained to be seen how far this nationalist attitude of mind would colour the policy of the Polish Government if circumstances should force them to abandon the theory, upon which they had taken their stand hitherto, that the Polish-German frontier question could not be discussed because it did not exist.

(b) THE LIQUIDATION OF QUESTIONS ARISING OUT OF THE
PEACE SETTLEMENT

In the earlier volume of this series¹ in which an account was given of German-Polish relations during the years 1924-5, it was indicated that the questions arising out of the Peace Settlement, on which it was necessary for Germany and Poland to come to an agreement between themselves, were many and various, and that by the end of 1925, in spite of the unsatisfactory nature of the general relations between the two countries, a certain amount of progress in disposing of these questions could be recorded. During the next few years the two Governments continued to negotiate and conclude agreements dealing with such matters as the administration of frontier districts and the organization of road and railway communications, as well as with more technical questions of a financial or legal character. By the end of 1927 Germany and Poland were said to have signed already more than 100 minor agreements, and the process was then by no means at an end.² While the conclusion of these agreements represented the removal of a certain number of the obstacles which stood in the way of a *rapprochement* between Germany and Poland, they could not be said to have helped very much in themselves to relieve the state of tension which was the normal condition of German-Polish relations. It was at once an effect and a cause of this continued tension that the negotiations for a general commercial treaty, which

¹ The *Survey for 1925*, vol. ii, Part II D, section (i).

² It would be beyond the scope of this *Survey* to analyse the provisions of even the more important among these agreements, and a mere enumeration of them would serve no useful purpose. Most of them are mentioned in the chronological lists of treaties which are appended to the *Survey* volumes up to and including the year 1928, and thereafter to the volumes of *Documents on International Affairs*. The more important of these agreements, after ratification had been effected (a process which, not infrequently, was delayed for months or years), were generally registered with the League of Nations and published in the *League of Nations Treaty Series*. Between the beginning of the year 1926 and the end of the year 1932, 28 minor German-Polish agreements were so published.

had begun in the year 1925,¹ should have hung fire, without being definitely abandoned, for over four years;² and it was not by accident that it proved possible to agree on the terms of a commercial agreement a few months after the signature, in connexion with the 'Young Plan' for a Reparation settlement, of a comprehensive German-Polish agreement for the mutual liquidation of financial claims.³

The principal financial claims of Germany against Poland arose out of the right of the Polish Government, under the terms of the Versailles Treaty, to expropriate German interests in Poland. In a previous volume⁴ some account has been given of the earlier stages of the controversy over this question and over the allied questions of nationality and option. A Polish-German treaty signed at Vienna on the 30th August, 1924, had settled a number of points in dispute regarding nationality, but the application of the provisions of the Vienna Treaty continued to give rise to difficulties. During 1925 much ill-feeling was caused by the expulsion of German nationals from Poland and of Polish nationals from Germany, which was carried out in accordance with the terms of the Vienna Treaty. By the end of 1925, however, expulsion *en bloc* had ceased,⁵ and thereafter the disputes which arose in regard to nationality were connected, as a rule, with the liquidation of German property in Poland.

The progress of expropriation was dependent to a considerable extent upon the financial position of Poland, since the Polish Government were obliged to pay compensation to the individuals and firms whose property they took over. Lack of funds hampered the execution of schemes for expropriation during the early years of the Polish Republic's existence; but early in 1924 certain reforms of Polish finances were carried into effect, and the resulting improvement in the financial situation enabled the Government to proceed more rapidly with their programme.⁶ By the end of 1925, however, Polish finances were once more in a precarious position, and during the following year public attention in Poland was concentrated on questions of finance and internal politics.⁷ This preoccupation, combined with

¹ See the *Survey for 1925*, vol. ii, *loc. cit.*

² See the following sub-section.

³ See pp. 331-2, 339-40 below.

⁴ The *Survey for 1925*, vol. ii, *loc. cit.*

⁵ In 1927, the expulsion of four German railway officials from Upper Silesia was the cause of the interruption of negotiations for a commercial treaty (see p. 337 below).

⁶ See the *Survey for 1925*, vol. ii, *loc. cit.*

⁷ In May 1926 there took place the 'May Revolution' in Poland, when Marshal Pilsudski marched on Warsaw at the head of three regiments and compelled the Government of the day to resign.

the fact that the cases in which Poland's right to expropriate was unquestionable had naturally been dealt with first, resulted in a marked slowing-down of the process of liquidation during 1926.

During the spring of 1926, however, negotiations took place between Germany and Poland in regard to the question of liquidation and nationality. The liquidation of German property aroused the strongest resentment in Germany, and successive German Governments adopted the same policy. In the first place they endeavoured, unsuccessfully, to persuade the Polish Government to renounce altogether their treaty rights in this respect; and, in the second place, they contested every individual case in which there was the least doubt regarding Poland's title to liquidate on account of the nationality of the owner or for other reasons. During the negotiations which took place in the early months of 1926, the Polish Government produced lists of properties which they intended to expropriate, and of properties the expropriation of which they were prepared to renounce; but the German Government found these Polish proposals unacceptable, and continued to urge that the entire system should be abandoned. These negotiations, therefore, led to no result, but later on in the year they were resumed, and by an exchange of notes of the 21st December, 1926, the two Governments agreed to the establishment of a Mixed Conciliation Commission which was to consider cases of doubtful nationality¹ and other matters arising out of the Vienna Treaty of the 30th August, 1924. This Commission duly assembled in the middle of February 1927, and it seems to have continued at work for some six months, during which time it was able to deal with only a small proportion of the cases submitted to it.² At the end of 1927 the position was that the Polish Government maintained that about 50,000 hectares of agricultural property and about 600 buildings in towns remained liable to

¹ That is, cases in which the Polish Government claimed the right to expropriate, but the German Government maintained that the owner of the property in question had possessed Polish nationality on the 10th January, 1920, the determining date in the matter of expropriation. (According to the Vienna Treaty, German settlers in Poland were qualified for Polish nationality if they had resided there without interruption from the 1st January, 1908, to the 10th January, 1920.)

² According to the German version, which was expounded to the Council of the League of Nations by Dr. Stresemann in June 1929, 75 per cent. of the cases dealt with were settled in accordance with the German view, but there remained about 1,000 cases which had not been examined. Dr. Stresemann also told the Council that the Commission was unable to achieve a more satisfactory result because it did not possess a neutral chairman and because the Polish Government were unwilling to agree to the prolongation of its original mandate.

liquidation, while the German Government maintained that in 90 per cent. of the cases the nationality of the owner made expropriation impossible.

Among the particular cases of liquidation in dispute between Germany and Poland during the years 1926-7 the case which attracted most attention was that of the nitrate factory at Chorzów, in Upper Silesia, of which the Polish Government had taken possession in 1922. The nature of the dispute over this factory has been explained in an earlier volume.¹ The liquidation of German property in Upper Silesia was subject to certain special conditions laid down in the Geneva Convention regarding Upper Silesia of the 15th May, 1922,² and that convention also stipulated that differences regarding the interpretation or application of the provisions for liquidation should be referred to the Permanent Court of International Justice. In 1925 Germany appealed to the Court regarding the expropriation of the Chorzów factory and the threatened expropriation of a number of large landed estates in Upper Silesia, and on the 25th May, 1926, the Court gave judgement in all these cases.³ In regard to the Chorzów factory, the Court upheld the German contention that a contract of December 1919 for the sale of the factory by the German Government to the Oberschlesische Stickstoffswerke was valid; that the company in question (and not the German Government, as Poland maintained) was the owner of the factory at the time of its seizure by the Polish authorities; and that the attitude of the Polish Government in the matter was not compatible with their obligations under the Geneva Convention.

This decision of the Permanent Court, however, by no means ended the dispute over the Chorzów factory. The Polish Government declared themselves ready to negotiate for an amicable settlement regarding compensation, and diplomatic negotiations on this question began at the end of November 1926, but they led to no result. In February 1927 the German Government again appealed to the Permanent Court, asking for a decision which would oblige Poland to pay compensation amounting to about 77,000,000 gold marks. A preliminary objection by Poland to the Court's competence was overruled by the Court on the 25th July, 1927, but before a decision had been given on the substance of the German appeal the Polish Government, in October 1927, referred to a civil court at Katowice the original point in dispute—namely, whether, at the

¹ The *Survey for 1925*, vol. ii, pp. 238-9.

² See the *Survey for 1920-3*, Part III, section (ii) (3) (c).

³ See the *Survey for 1925*, *loc. cit.*

time of the partition of Upper Silesia, the Chorzów factory was the property of the German state or of the Oberschlesische Stickstoffwerke. The Katowice Court upheld the Polish Government's contention that the factory was state property. The German Government promptly asked the Permanent Court to decide whether the terms of its judgement of the 25th May, 1926, had left the Polish Government free to reopen the whole question; and on the 16th December, 1927, the Court gave an interpretation of its previous judgement to the effect that the Polish Government were not within their rights in taking the question of ownership, which had been settled by the judgment of May 1926, before a civil court. Thereafter, during the summer of 1928, the Court dealt with the German request regarding compensation, and on the 13th September its decision that Poland was under an obligation to pay compensation to the owner of the factory was announced. The Court, however, reserved for future judgement the questions of the amount of compensation and the method of payment. The dispute would therefore presumably have come before the Court again at its next session, if the two Governments had not succeeded in the meantime in coming to an agreement between themselves. On the 27th November, 1928, notes were exchanged between the Polish and German Governments confirming the terms of an agreement which had been worked out by representatives of the Polish Treasury and of the Oberschlesische Company and another firm concerned, by which a total sum of 30,000,000 zlotys (that is, about 18 per cent. of the amount demanded by Germany) was to be paid by the Polish Government as compensation to the two firms in instalments over a period of fifteen years. Therewith, the proceedings before the Permanent Court terminated. This controversy has been dealt with at some length because it afforded a good illustration of the effects of the strained relations between Germany and Poland—effects which were felt not only by those countries themselves, but by international bodies such as the League of Nations Council and the Permanent Court of International Justice, which were constantly called upon to mediate or to decide questions on which a direct settlement should have been easy to attain, given a modicum of goodwill on both sides. There would appear to be no reason, except the absence of goodwill, why the agreement that was achieved by direct negotiations between Germany and Poland in November 1928 should not have been achieved by direct negotiations during the winter of 1926-7—a result which would have saved the two Governments themselves, as well as the Permanent Court, from the expenditure of time and money which

was involved in the hearing of the case by the Court on three separate occasions during the years 1927-8.

No sooner had a settlement of the Chorzów dispute been reached than the question of further liquidations of German property in Poland, which had remained more or less in abeyance during 1928, became acute once more. Early in January 1929 news reached Germany from Poznań (Posen) that a number of expropriations had been put in hand, and on the 25th February representatives of the German inhabitants of Bydgoszcz (Bromberg) addressed an appeal to the League of Nations against the liquidation of property belonging to members of the German minority¹ who, it was claimed, possessed Polish nationality. The appeal came before the Council during its fifty-fifth session in June 1929. On the 15th June the *rapporteur* on the question (the Japanese Member of the Council, Mr. Adatei) was able to inform the Council that the representatives of the German and Polish Governments had agreed, on his suggestion, to enter as soon as possible into direct negotiations with the object of reaching agreement on the points raised by the petitioners, and particularly on the question of the nationality of the persons whose property the Polish Government had announced their intention of liquidating. These German-Polish negotiations were duly opened in Paris at the beginning of July, and were later transferred to Geneva. By the beginning of September agreement had been reached in regard to a considerable number of cases of doubtful nationality.

In the meantime, certain transactions had been carried out in the international field which had a bearing on the question of liquidation of German property in Poland. On the 7th June, 1929, the 'Young Committee' of experts on the Reparation problem² had signed their report, one section of which dealt with the question of 'liquidation of the past'. The experts recommended a settlement of all outstanding financial claims, as between Germany and the ex-Allies, on the basis of mutual concessions, the clearing up of all outstanding questions concerning liquidated German property, and the renunciation by the Allied Powers of the right to liquidate such property in future. In accordance with these recommendations the German and Polish Governments entered into direct negotiations on the financial questions which concerned them. Discussions took place in Warsaw throughout October 1929, and on the last day of the month a comprehensive

¹ The situation in regard to the protection of the German minority in Poland and the Polish minority in Germany is dealt with separately in subsection (d) below.

² For the appointment and work of this committee, see the *Survey for 1929*, Part I B, section (ii).

agreement was signed which provided for the liquidation of all financial claims arising out of the War or the Peace Settlement. The German Government renounced all claims against the Polish Government on behalf of themselves and of their nationals; and the Polish Government, in addition to a similar renunciation of claims,¹ agreed not to proceed any further with the liquidation of German property.² The cases of doubtful nationality in which Poland had initiated liquidation proceedings were to form the subject of further negotiations for an amicable settlement. By notes which were exchanged at the same time certain subsidiary questions were settled. Thus the Polish Government renounced the right, which they claimed to have inherited from the former German administration of territories transferred to Poland in the Peace Settlement, of purchasing the holdings of German settlers on the death of the holder;³ while Germany assumed the obligation of satisfying all claims against the Bauernbank of Danzig in connexion with mortgage loans on agricultural property in the former German provinces.

It was generally felt that the signature of this agreement represented the most hopeful step which had yet been taken in the direction of a *rapprochement* between Germany and Poland and the substitution of normal friendly intercourse for mutual hatred and suspicion. The sums involved were considerable, but while Germany's financial sacrifice was the heavier,⁴ the settlement was undoubtedly in the interests of her nationals in Polish territory, who could now expect to enjoy a security of tenure which they had lacked hitherto.⁵

¹ Amongst the claims which Poland had against Germany were those on account of indemnities due to Polish nationals for requisitions during the War. A number of these claims had been referred to the German-Polish Mixed Arbitral Tribunal, and in March 1927 they were reported to be causing difficulties.

² According to a Polish authority, Monsieur Casimir Smogorzewski (see his article on 'Les conditions de l'apaisement Germano-Polonais' in *L'Esprit International*, 1st July, 1930, which was reprinted in a collection of essays on *Danzig et quelques aspects du problème Germano-Polonais* published in 1932 by the Carnegie Endowment for International Peace), Poland renounced the liquidation of 50,000 hectares of land, of a total value of 60,000,000 gold marks, and of immovable property in towns to the value of 10,000,000 gold marks.

³ It was estimated that 12,000 German settlers, possessing altogether 180,000 hectares of land, were affected by this concession (Smogorzewski, *loc. cit.*).

⁴ The total value of German claims against Poland amounted to 770,000,000 gold francs, and the total value of Polish claims against Germany to 523,000,000 gold francs (Smogorzewski, *loc. cit.*). Among the payments from which Poland was absolved by the agreement were those in respect of the expropriation of the Chorzów factory which had been agreed on in November 1928 (see p. 330 above).

⁵ The renunciation by Poland of her treaty right to liquidate German property did not preclude the possibility of continued discrimination against

As was to be anticipated, the agreement aroused opposition in both Poland and Germany. Opinion in the western provinces of Poland—where German nationals were said to hold about 50,000 acres of agricultural land—was specially hostile in regard to the renunciation of Poland's treaty right of expropriation, and this question also formed the burden of a meeting of protest which was held in Warsaw in the third week of January 1930 by members of the 'Right' parties. In Germany, likewise, the Nationalist parties opposed the agreement, and criticism also came—more unexpectedly—from the German Centre parties. One point on which German feeling was particularly strong was the relation of the German-Polish agreement to the agreements for putting the Young Plan on Reparations into force.¹ The Polish Government contended that the liquidation agreement was an integral part of the Young Plan, but Germany refused to accept this view. On the 12th March, 1930, the Reichstag passed the third reading of the Bills ratifying the Hague Reparation Agreements and the Bill ratifying the German-Polish agreement, and it was a proof of the unpopularity of the latter agreement that the majority by which it was adopted (that is by 236 votes to 217), was smaller than the majority in favour of ratification of any of the Young Plan measures. The German view that the German-Polish agreement was independent of the Hague Agreements was emphasized by President Hindenburg, who affixed his signature to the Bills ratifying the Hague Agreements on the 13th March, but delayed signature of the German-Polish agreement until the 18th March. Therewith the process of ratification, on the German side, was completed. Polish ratification, however, was delayed for another twelve months. Throughout 1930 there was virtually a constitutional deadlock in Poland, and parliamentary procedure was suspended. Elections which were held in the autumn of 1930 resulted in a victory for the Pilsudski *bloc*, and when the Sejm assembled early in January 1931 the Government at once laid before it for ratification a series of treaties, including the Hague Reparation Agreements, the German-Polish liquidation agreement, and a German-Polish commercial agreement which had been signed, after over four years' negotiations, on the 17th March, 1930.² The liquidation agreement had not become any more popular in Poland during the interval which had elapsed since its signature; but the Government had little difficulty in securing

German settlers in the application of the Polish Land Reform Law of December 1925 (see pp. 350-2 below).

¹ See the *Survey for 1930*, Part VI, section (iii).

² See the following sub-section.

from a docile Sejm a substantial majority for ratification on the 12th March, 1931. The process of ratification was completed by the Senate on the 17th March, and instruments of ratification were formally exchanged with Germany on the 21st April. In the summer of 1932, steps were taken to constitute a mixed arbitral commission—provision for which had been made in the convention—to deal with difficulties arising in connexion with the application of the convention.

(c) NEGOTIATIONS FOR A COMMERCIAL TREATY

In an earlier volume¹ it has been recorded that formal negotiations began on the 6th January, 1925, for a commercial treaty between Germany and Poland which would take the place of the special provisions included in the Versailles Treaty. The Versailles Treaty régime, under which Germany was obliged to grant Poland unilateral most-favoured-nation treatment, expired on the 10th January, 1925; and the 15th June, 1925, was the terminal date of a special arrangement which had been included in the Geneva Convention of May 1922 regarding Upper Silesia, under which Germany had accepted duty-free consignments of coal from Upper Silesia. The negotiations in the early part of 1925 having failed to produce agreement, Germany refused to admit further consignments of coal from Upper Silesia after the 15th June without payment of duty. Poland replied by raising her tariffs on German goods, and this provoked Germany to similar retaliatory measures. By July 1925 the two countries were in practice engaged in a tariff war, though it is to be presumed that neither side foresaw at this stage how long the war was to last.

The negotiations for a commercial treaty were resumed and suspended at intervals from 1925 until 1930. On the 17th March of the latter year an agreement was at length signed; but the tariff war did not end even then. The agreement required ratification, and ratification was postponed by Poland for a year, while in Germany it had not taken place at the time of writing. The main reason for the prolongation of these economic negotiations was to be found in the political relations between the two Governments, which continued to be anything but satisfactory throughout the period under review. While the perpetual state of tension between Berlin and Warsaw made either Government disinclined to make concessions to the other in the economic field, the repeated interruption of the com-

¹ *The Survey for 1925*, vol. ii, pp. 239–41.

mercial negotiations also reacted unfavourably on political relations, by providing a corresponding number of additional opportunities for outbursts of indignation against Germany in Poland and against Poland in Germany.

Even if political considerations could have been set on one side there remained the difficulty that opinion in both countries was divided as to the economic advantages likely to be derived from a commercial treaty. At the beginning of 1925, about 50 per cent. of Polish exports went to Germany and about 6 per cent. of German exports to Poland. At that time, therefore, Poland was more concerned than Germany in the establishment of normal commercial relations, and Germany had some grounds for her expectation that her retaliatory measures would soon bring Poland to her knees. That this expectation was falsified was partly due to the British coal strike of 1926, which enabled Poland to accelerate the process of finding new markets for her Silesian coal which she had begun in the previous year. Poland's success in finding and keeping new customers for her coal, added to the expansion of her home market, stimulated the output from the Silesian coal fields, which was said to have increased by about 25 per cent. between the beginning of 1925 and the end of 1929.¹ During the same period the iron industry of Polish Upper Silesia was also steadily improving. These and similar developments in other branches of Polish industry naturally inclined industrialists to oppose the conclusion of a commercial treaty with Germany, whose market was no longer indispensable to them and whose competition they feared. The effort made by Polish industry during the first year of the tariff war with Germany resulted in the conversion of Poland's foreign trade balance from passive to active during 1926,² but this state of affairs did not last long. In 1927 and again in 1928 Polish imports once more exceeded exports, and by the end of the latter year public opinion was becoming anxious at the continuance of the adverse balance.

Moreover, agriculture and not industry was the occupation of the majority of the Polish people, and since the agriculturalists found increasing difficulty in disposing of their produce they became more and more concerned as time went on that the Government should come to an arrangement with Germany which would result in a lowering of German tariffs. In 1929 the agrarian crisis throughout

¹ See Smogorzewski, *op. cit.*, where the figures given are 11.2 million tons in 1924 (including 6 million tons to Germany) and 13.9 million tons in 1929. In the latter year none of the coal exported went to Germany.

² This improvement in the trade balance contrasted with the severe financial crisis through which Poland was passing in 1926.

the world became more acute than ever, as a result of the bumper harvest of cereals in the United States and Canada in the year 1928;¹ and agrarian distress was not without its influence on Polish policy.² A greater desire to come to terms with Germany was reflected in the conduct of the commercial negotiations on the Polish side during the year 1929, and this spirit of conciliation made it possible for a treaty to be signed as soon as a genuine disposition to agree was displayed on the German side.

In Germany the division of opinion in regard to the desirability of a commercial treaty followed the reverse direction to that taken in Poland. Industrialists desired the removal of restrictions to the entry of German manufactures into Poland; but exports to Poland had formed only a small proportion of the German export trade as a whole before the tariff war,³ and the influence of the industrialists was not strong enough to outweigh that of the agriculturalists. In agricultural circles the prospect of a treaty with Poland was anything but welcome, both because of the fear of Polish competition and because hostility to Poland was particularly strong in the agricultural provinces of eastern Germany, whose inhabitants were far indeed from reconciling themselves to the redistribution of territory effected by the Peace Settlement. German agrarian interests—as typified by the East Prussian Junker class to which President Hindenburg belonged—exercised considerable political power, and although the extent to which they could directly influence official policy naturally depended upon the political complexion of the Government of the day, they were powerful enough at all times for their opposition to the agreement with Poland to constitute a formidable obstacle. Even after an agreement had at length been concluded, German agrarian opposition remained unabated, and concessions which were made by the Government of the Reich to the demands of the agriculturalists were largely responsible for the failure of the treaty to come into force.

It would be unnecessary and tedious to follow the course of the protracted commercial negotiations between Germany and Poland in any detail. At the outset Germany was reported to have made the renunciation by Poland of her right to liquidate German property⁴

¹ See the *Survey for 1930*, pp. 477–81.

² For the East European Agrarian Conferences which were convened, on Polish initiative, in the years 1930 and 1931, see the *Survey for 1930*, p. 144, and the *Survey for 1931*, pp. 324–5.

³ See p. 335 above.

⁴ See the preceding sub-section. See also the *Survey for 1925*, vol. ii, Part II D, section (i).

one of the conditions of a treaty. This attempt met with no success and was soon abandoned, but Germany continued to insist that the commercial treaty must contain provisions regulating the conditions under which German nationals could travel or settle in Poland and carry on business there. The Poles were reluctant to include these questions—which they considered to be of a political nature—in the scope of the treaty, and although negotiations were carried on from time to time during 1926 not much progress was made towards a settlement. Early in February 1927 the German Government suddenly broke off the negotiations—the reason given for this interruption being that the expulsion of four German railway officials from Polish Upper Silesia¹ had convinced the German Government that the conclusion of a commercial treaty must be preceded by an agreement relating to the entry and settlement of German nationals.

At Geneva in March 1927 Dr. Stresemann and Monsieur Zaleski agreed that the resumption of the commercial negotiations proper should be postponed while an attempt was made to come to a preliminary agreement on the questions of domicile and entry. Negotiations with this object were opened without delay, and on the 21st July, 1927, a protocol was signed setting out conditions of entry, residence, and settlement which were to come into force as soon as a commercial treaty had been concluded. Four months later agreement was also reached in regard to a cognate question in which Poland was specially interested. Large numbers of Polish agricultural workers were in the habit of crossing the frontier into Germany each year at harvest time,² and negotiations had been going on for three years for an agreement regulating the immigration of seasonal workers. Temporary agreements had been concluded settling the conditions and the numbers for the years 1926 and 1927, but it had not proved possible to agree on definitive terms. On the 24th November, 1927, however, an agreement was signed in Warsaw which placed the conditions of seasonal immigration on a permanent basis.

In the meantime, the Polish Government had dispatched a special delegate to Berlin to discuss with Dr. Stresemann the principles which should be followed when the negotiations for a commercial treaty were resumed; and on the 23rd November a protocol was signed in Berlin incorporating the result of these discussions. It was agreed that the aim of the negotiations should be to remove as

¹ It was alleged in Germany that this was not an isolated incident but the last of a series of similar expulsions. The Polish authorities, especially in Upper Silesia, were said lately to have pursued a systematic policy of refusing to renew the residence permits of Germans engaged in business in Poland.

² See footnote on p. 340 below.

quickly as possible the restrictions placed by either country on the import of goods from the other, and that, pending the conclusion of a comprehensive treaty, provisional agreements for the exchange of specific products might advantageously be negotiated. One special agreement of this kind, relating to the exchange of Polish timber for certain German manufactured products, was already under consideration, and on the 1st December a provisional agreement for one year was signed. This was a case in which both countries were genuinely interested in coming to terms. Timber had formed an important item of Polish exports to Germany before 1925, and after the 'tariff war' began the German timber-using industries found themselves in difficulties for lack of the Polish supplies. Accordingly, Germany, by administrative orders, had permitted the introduction of large quotas of Polish timber, and it was to her advantage to have the arrangement regularized and to secure at the same time the Polish market for some of her manufactured goods. The agreement worked well and was renewed annually until the end of 1930. A similar sectional agreement relating to rye was signed in February 1930, shortly before the conclusion of the general commercial treaty. This rye agreement provided for an interesting experiment in the creation of an international pool which proved relatively successful during the eighteen months that it remained in force. The two Governments agreed, in view of falling prices, to adopt a common policy in regard to export sales of rye, and to set up a Polish-German Bureau in Berlin with a monopoly of foreign sales. This agreement was concluded, in the first place, for a few months only, but it was renewed in July 1930 for a year.

Meanwhile the general negotiations foreshadowed by the protocol of the 23rd November, 1927, had opened in Warsaw at the beginning of the December of that year. Herr Hermes, who was a representative of the agrarian interests, took charge of the negotiations on the German side; and since his appointment indicated, at the least, that the Government of the Reich were anxious to guard against the acceptance of conditions which might prove harmful to German agriculture, while the Polish delegation were mainly concerned to secure as favourable terms as possible for Polish agricultural produce, it followed that the course of the negotiations was not likely to run altogether smooth. In 1928 they were suspended for over six months as a result of difficulties which were encountered in connexion with a Polish revalorization scheme, and with a decree extending from 10 to 30 kilometres the limits of the frontier zone in which the Polish local authorities might, at their discretion, prohibit foreigners

from settling, trading, or acquiring property. In Germany this decree was held to contravene the terms of the provisional protocol on settlement of July 1927. The revalorization question was settled by an agreement of the 5th July, and the tension in regard to settlement in the frontier zone was relieved, in the same month, by a Polish assurance that the decree had not been conceived in a spirit of hostility to Germany. The commercial negotiations were resumed in September 1928, but although they were continued, with frequent interruptions, during the next twelve months, little or no progress could be recorded.

In the autumn of 1929, however, Polish-German relations took a sudden turn for the better, which proved, unfortunately, to be only temporary, but which gave the needed stimulus to the commercial negotiations. The relaxation of tension which preceded and accompanied the signature, on the 31st October, 1929, of a German-Polish agreement for the liquidation of financial claims has been noted elsewhere.¹ The improvement was due in part to the personal intervention of the German Foreign Minister. Dr. Stresemann recognized the desirability of improved relations between Germany and Poland, and one of his last acts before his death on the 3rd October, 1929, was to signify his approval of draft terms of a commercial agreement which had been submitted to him for consideration. After Dr. Stresemann's death the negotiations proceeded much more rapidly. Herr Hermes had resigned in September 1929, and thereafter the principal delegate on the German side was Herr Ulrich Rauscher, who had represented the Reich Government in Warsaw since 1922 and who had been patiently working for a *rapprochement* between Germany and Poland.² It has been indicated that Poland, by this time, was feeling the pinch of economic distress, and both sides were therefore in a conciliatory mood. The result was the signature, on the 17th March, 1930, of a commercial treaty which was to be valid in the first instance for one year.

This treaty made no attempt to cover the whole field, since it was agreed that the negotiation of a comprehensive treaty would be easier when the two countries had had experience of normal commercial relations. It did, however, fix contingents on the most-favoured-nation basis for the commodities in the export of which Germany and Poland were principally interested, and, generally

¹ See pp. 318-19, 331-2 above.

² Herr Rauscher's efforts for the promotion of a better understanding were appreciated by the Poles. When he died in 1930 his loss was deplored, and a Polish deputation went to Germany to attend his funeral.

speaking, it contained all the provisions that were necessary to enable business to be carried on in a normal way.

With the signature of this agreement it seemed as though the way was open at last for a genuine *rapprochement* between Germany and Poland; but unfortunately the effect was marred almost at once by unilateral German action for the protection of agriculture from foreign competition,¹ which aroused the strongest resentment in Poland. On the 30th March a Cabinet of 'personalities', headed by

¹ The extent of agrarian distress in Germany at this time, and of the influence which was exercised by the landowners of the Eastern Provinces, was illustrated by the development of the *Osthilfe* schemes. The economic situation in East Prussia had been a matter of concern even before the War of 1914-18, and it had been going from bad to worse ever since the Peace Settlement. By the end of 1927 many of the big landowners had been obliged to mortgage their estates, and the small farmers were also in financial difficulties. The position was also complicated by a shortage of agricultural labour. The emigration of farm workers from the eastern provinces, which had given rise to anxiety before the War, assumed serious proportions during the post-war period. The influx into the frontier provinces of Germans formerly resident in Poland, who left that country, voluntarily or under compulsion, during the first few years after the War, did little to meet the need for agricultural labour. The majority of these immigrants were artisans or small shop-keepers, and their arrival only served to increase the general distress by swelling the number of unemployed in the towns. Attempts made by the Reich Government to encourage migration of farm workers from the western to the eastern provinces did not meet with much success, and the East Prussian landowners had to depend to a large extent upon Polish seasonal labour. In December 1927 the Cabinets of the Reich and of Prussia held a joint meeting to consider the position and decided upon measures of relief for East Prussia. These measures included the provision of loans for small farmers, the replacement of short-term credits at high rates of interest by long-term credits, and the reduction of tariff and transit rates for East Prussian produce. This programme, which was put into force during 1928, did not go far to meet the need, and early in 1929 legislation was introduced which provided for relief extending over three years. Early in 1930 the scope of the scheme was again extended to include other districts besides East Prussia. In the January of that year the six eastern provinces combined to draw up a memorandum setting out their needs which was dispatched to the President of the Reich as well as to the heads of the Reich and State Governments. President Hindenburg, who took a close personal interest in the agrarian problem, responded to this appeal by sending an urgent request to the Chancellor, at the same time as he signed the Bill ratifying the liquidation agreement with Poland (see above p. 333), for immediate action in favour of the eastern provinces. The increase in customs duties on foreign agricultural produce which came into force in April 1930 was followed in May by the introduction into the Reichstag of legislation providing for the expenditure of large sums on *Osthilfe* during the next five years. The Reichstag was dissolved before this Bill became law, but a decree signed by President Hindenburg on the 26th July, 1930, enabled the machinery to be put in motion for implementing the first instalment of the enlarged programme. A journey which Dr. Brüning, the Chancellor, made in the eastern provinces in January 1931 was followed by the introduction of a revised *Osthilfe* Bill, which became law on the 31st March, 1931, and in which the scheme was again enlarged. The execution of the programme was delayed, however, owing

Dr. Brüning, succeeded Dr. Müller's Socialist Cabinet, and in the new Government the post of Minister for Agriculture was held by Herr Schiele, who had always been a strong opponent of a commercial treaty with Poland. On the 8th April, 1930, the Reich Cabinet accepted proposals put forward by Herr Schiele for a considerable increase in tariffs on agricultural products, and the Tariff Bill which provided for these new duties passed its third reading in the Reichstag on the 14th April. In Poland it was contended that the new duties would practically nullify the benefits which Polish exporters had hoped to derive from the commercial treaty, and the Polish Government were not slow in registering a protest. To the Polish argument that the new duties were contrary to the spirit not only of the German-Polish agreement but also of the multilateral

to shortage of funds, and a moratorium was granted to agriculturalists whose estates were not hopelessly insolvent and whose applications were approved.

This continual expansion of the plans for helping the eastern provinces, during a period of increasing financial stringency, was naturally the subject of criticism both at home and abroad. The need for agrarian relief was not contested in Germany, but there were complaints that the industry as well as the agriculture of the eastern provinces was in need of assistance (the Budget of the industrial city of Breslau, for instance, had been in deficit since 1926, and the municipality was unable to obtain further credits). Industrialists were also concerned at proposals, which formed part of the 1931 scheme, for the continuance, for the benefit of agriculture, of a special tax on industry which had been introduced under the Dawes Plan. Moreover, doubts were expressed whether the methods adopted for agricultural relief were likely to yield satisfactory results, and whether the attempt to bolster up the existing system by granting subventions to landowners was not in fact throwing good money after bad. The alternative policy of dividing up a number of the large estates among small-holders found considerable support, but the opposition of the agrarian landowners to proposals of this nature was correspondingly strong. It may be noted that it was Dr. Brüning's endorsement of this alternative policy and President Hindenburg's rejection of it which was the immediate cause of the fall of the Brüning Cabinet at the end of May 1932 and of its replacement by a 'Junker' administration. The policy of subsidizing landowners was prosecuted with renewed vigour under Herr von Papen's administration; and in January 1933, after Herr von Papen had been succeeded as Chancellor by General von Schleicher, information leaked out which appeared to prove that there had been a grave misuse of the *Osthilfe* funds. It was alleged that many of the recipients of financial assistance had diverted large sums to their own use, instead of paying off their debts, and the individuals accused of such delinquencies by the press included prominent members of the Nationalist Party and personal friends of President von Hindenburg. A debate on the question in the Reichstag Budget Committee confirmed the general belief that serious abuses had occurred. One immediate result of the ventilation of this scandal was to stimulate 'Junker' intrigues against General von Schleicher (who had renewed the agricultural moratorium, but with the stipulation that certain insolvent estates should be made available for settlement), and these intrigues hastened the downfall of General von Schleicher, as they had hastened that of Dr. Brüning seven months earlier, and thus opened the way for Herr Hitler's advent to power.

'Tariff Truce' Convention which Germany (but not Poland) had signed at Geneva on the 24th March, 1930,¹ the German Government replied that the basis of the German-Polish agreement was not affected by the raising of the German tariffs, and that duties on agricultural produce were included in exceptions to the scope of the Tariff Truce Convention which had been expressly laid down at Geneva. It was also hinted on the German side that Poland was making the German duties an excuse for delaying ratification of the treaty. It has been mentioned elsewhere² that the political position in Poland during 1930 resulted in the postponement of ratification of a number of treaties until the beginning of 1931, when a new Sejm, the majority of whose members were supporters of Marshal Pilsudski, assembled and parliamentary procedure was resumed after an interval of nine months. The liquidation agreement with Germany of the 31st October, 1929,³ and the commercial agreement of the 17th March, 1930, were among the treaties which the Polish Government submitted to the Sejm for ratification in January 1931.⁴ In the debate on the commercial treaty it was pointed out that the increase in the German tariffs, which made it almost impossible for Polish cereals, livestock, and dairy produce to reach the German market,⁵ had radically altered the position, and that in ratifying the treaty Poland would be making a sacrifice in the hope of favourable repercussions on her political relations with Germany. The treaty was duly ratified by the Sejm on the 12th March, 1931, and by the Senate on the 17th.

In the meantime the treaty had been presented to the German Reichstag for ratification by the Brüning Government, and it had passed its second but not its third reading by the middle of July 1930, when the Reichstag was dissolved. Thereafter, the elections of September 1930, with their decided 'Nazi' and Nationalist gains,⁶ introduced a new element into German politics which reacted unfavourably on the relations of the Reich with its neighbours both in the east and in the west. No further steps were taken towards the ratification of the commercial treaty with Poland, nor were its

¹ See the *Survey for 1930*, Part VI, section (ii).

² See p. 333 above.

³ See the preceding sub-section.

⁴ In a session which lasted from the 10th January to the 21st March, 1931, the Sejm ratified no fewer than 56 treaties and agreements.

⁵ On the 27th November, 1930, Poland had retaliated by raising her import duties by 70 per cent. on a number of commodities which Germany might have expected to export to Poland in increasing amounts if and when the commercial treaty came into force.

⁶ See the *Survey for 1930*, p. 8.

provisions put into force—as would have been possible—by administrative decree. On the contrary, there appeared to be a disposition in Germany to put a check upon such commercial exchanges as were taking place with Poland. In December 1930, for instance, the German Government refused to consider a further prolongation of the timber agreement which had been concluded in the first place on the 1st December, 1927, and which had been renewed in December 1928 and December 1929,¹ on the ground that it was rendered superfluous by the commercial treaty which was awaiting ratification.² At the end of the following June, again, the German Government announced that they did not intend to renew the rye agreement of February 1930,³ which expired on the 1st July, 1931. From April 1930 onwards trade between Germany and Poland decreased steadily, and during the year 1931 the value of Polish exports to Germany decreased by 50 per cent., and that of German exports to Poland by 40 per cent., compared with the previous year.

Poland attributed all the blame for this state of affairs to Germany's protectionist measures, and by way of retaliation the Polish Government imposed prohibitive taxes, as from the 31st December, 1931, on certain classes of goods imported from Germany. The German Government countered this move by deciding on the 29th February, 1932, to introduce a new 'super-tariff' which was to apply to goods coming from countries with which Germany had no commercial treaty. Polish resentment against this measure was naturally increased by the fact that Poland belonged to this category of countries only because Germany had failed to ratify the treaty of March 1930. At this stage, fortunately, economic nationalism became tempered by a certain degree of common sense, and the German Government offered to postpone the application of the super-tariff to Polish goods in order to allow time for negotiation. Conversations took place in Warsaw in March and achieved the desired result of avoiding a further aggravation of the tariff war. A provisional agreement which was concluded by an exchange of notes on the 26th March provided for the exemption of certain contingents of Polish and German exports from the maximum tariff of the importing country, and thus restored the conditions under which trade had been carried on in 1930 and 1931. The position, of course, was still anything but satisfactory,

¹ See p. 338 above.

² The real reason for the attitude of the German Government was perhaps that there was no longer any question of a shortage of timber. The demand, which had been reduced by the depression, could now be met from home sources supplemented by imports from countries other than Poland.

³ See p. 338 above.

and the conversations were resumed in April with the object of coming to an arrangement of wider scope. These negotiations were broken off, however, in consequence of the action taken by Poland in regard to certain imports from Danzig¹—action which was held to be detrimental to German interests. Conversations were resumed in December 1932, but fresh difficulties supervened, and no further agreement was reached before the end of the year.

(d) QUESTIONS ARISING IN CONNEXION WITH MINORITIES

As a result of the Peace Settlement and of the partition of Upper Silesia a considerable number of persons of German origin became Polish subjects, while a rather smaller number of Polish-speaking persons remained under German rule.² The Polish census of 1921 gave the number of Germans in Poland at that time as about 1,026,000. The majority of the Germans in Poland were settled in the districts transferred to Poland by the Versailles Treaty; the number who remained in Polish Upper Silesia was probably somewhere between 180,000 and 250,000. In the portion of Upper Silesia which was left to Germany after the partition nearly 200,000 persons had voted for Poland in the plebiscite of 1921; but the Poles claimed—on the basis of German census figures of 1925—that there were actually 529,000 Polish-speaking inhabitants of German Upper Silesia at that time. There were also smaller settlements of Poles in the Rhineland and in Westphalia, and in German territory on the borders of the Corridor. The German census of 1925 gave the number of Polish-speaking persons in Germany as 983,653,³ but this number seems to have been considerably reduced during the next four or five years,⁴ and the number of Germans in Poland was also decreased during the same period by voluntary emigration and by expulsion.⁵

The fate of these minorities across the border was a matter of constant and justifiable concern to the Governments and the people

¹ See section (iii) of this part of the present volume, p. 391 below.

² Accurate figures regarding minorities are extremely difficult to obtain, since the information obtainable tends to exaggerate or to minimize the number according to whether the source is in the country of origin or the country of domicile of the minority in question.

³ This figure included Masurian-speaking and bilingual persons.

⁴ The Berlin correspondent of *The Times* estimated in March 1929 that there were not more than 800,000 Poles left in Germany (see the issue of the 11th March, 1929), but Polish authorities put the figure much higher. Monsieur Smogorzewski estimated in 1930 that there were about 1,100,000 Poles in Germany (Smogorzewski, *loc. cit.*).

⁵ According to a Polish authority, Dr. Krynski, there were about 700,000 Germans left in Poland in the year 1931.

of Germany and Poland. In view of the strained relations which were unfortunately the rule between these two countries, it was perhaps inevitable that there should be constant complaints, on one side or the other, of the ill treatment of minorities, and that such complaints should give rise to further irritation and resentment, which reacted in turn upon the situation of the minorities. Generally speaking, the record of the Germans in regard to the treatment of their Polish minority, though not altogether blameless, was decidedly better than that of the Poles. In this connexion it must be remembered that the German minority in Poland was a creation of the Peace Settlement, whereas the Polish minority in Germany had long since become accustomed to German rule. The Peace Settlement had only affected the position of the Poles in Germany in so far as it had made them conscious of solidarity with their kinsmen in the Polish national state and had sown the seeds of discord between individual Germans and Poles by setting the German and the Polish nations at logger-heads. The relations between the minority and the majority were naturally far more difficult and delicate in the territory which had been transferred from Germany to Poland, where the relative positions of "under-dog" and "top-dog" had been reversed. If certain Poles succumbed at times to the temptation of wiping off old scores against the former dominating class, there was also some justification for the Polish view that the Germans exaggerated minor grievances in order to make political capital out of them. The repeated German complaints of repressive measures against the minority in Upper Silesia, for instance, were considered in Poland to be unjustified in substance and were held to be merely a part of the German campaign for the revision of the eastern frontier.¹ It could hardly be denied, in any case, that the lot of the German minority in Poland would have been happier if it had not been for the refusal of the German nation to recognize the Polish frontier as definitive. The fact that a revision of the eastern frontier was avowedly one of the main objects of German policy naturally encouraged the population of German origin on the Polish side of the frontier to cherish the hope of ultimate reunion with their mother land, and to make little or no effort to accommodate themselves to the existing situation. On the other hand, it was perhaps hardly surprising, in these circumstances, that the Polish authorities should have suspected members of the German minority of disloyalty to the Polish state and should have used repressive measures against them—measures which complicated the situation still further by increasing the agitation in Germany for the

¹ See sub-section (a) above.

restoration of the lost provinces and the desire of the minority to exchange Polish for German rule.

It was a standing grievance in Poland that, whereas the treatment of the German minority in Poland as a whole was governed by the terms of the Polish Minorities Treaty, Germany was under no treaty obligation in regard to the Polish minority outside the borders of Upper Silesia, which was deprived of the opportunities for voicing its discontent that were provided for in the Minorities Treaties. In regard to Upper Silesia, the Geneva Convention of May 1922 had laid down special provisions for the protection of the minorities on either side of the border-line which were to remain in force for at least fifteen years; and the procedure in this case differed from that which was provided for in the general Minorities Treaties. In each portion of the territory a Minorities Office was established, to which persons who complained of an infraction of their rights must apply. If the Minorities Office could not settle the question, it was sent to a Mixed Commission, with a neutral chairman appointed by the League,¹ which was responsible for the application of all the provisions of the Geneva Convention and not merely for those relating to minorities. An appeal from the decision of the Mixed Commission might be made to the Council of the League, and petitions might also be sent direct to the Council.² This right of appeal to the Council, of which the German minority took full advantage, resulted in grievances arising in Upper Silesia receiving a degree of publicity that was denied to complaints under the Minorities Treaties, which were considered in private session by a committee of the Council and were only very occasionally dealt with by the Council in public session. Accordingly, the fact that the minority questions as between Germany and Poland which received public notice were generally concerned with Upper Silesia cannot be taken to mean that the minorities in other

¹ Monsieur Calonder, who had presided over the negotiations for the Geneva Convention, held this office from the date on which the Convention came into force. He proffered his resignation in 1930, with effect as from July 1931, but was induced to withdraw it. The second agency of the League of Nations in Upper Silesia—the Arbitral Tribunal, which had its seat at Beuthen—was presided over by Dr. Kaeckenbeeck. This tribunal dealt with and settled a great many differences which might otherwise have assumed the proportions of international disputes.

² On the 6th April, 1929, as a result of conversations which took place in Paris under the presidency of Monsieur Adatci and with the assistance of Monsieur Calonder, the German and Polish Governments signed an agreement providing for certain modifications in the procedure laid down in the Geneva Convention, by which it was hoped that the work of the Minorities Offices would be facilitated and rendered more expeditious and that the number of appeals made to the Council would be reduced.

parts of Germany and Poland had no complaints to make regarding their treatment.

The Poles frequently complained, in general terms, that the number of Polish schools in Germany was not adequate. Complaints of this kind were generally made after one of the numerous occasions on which the Germans in Upper Silesia had brought questions regarding minority schools to the notice of the Council of the League,¹ and the object was to prove that the proportion of minority schools, and of children attending them, to the numbers of the minority was far higher in Poland than in Germany. Thus at the beginning of 1927 figures were published² to prove that there were 30 minority schools, attended by 829 children, for a Polish population of 529,000 in German Upper Silesia, whereas there were 29,752 children attending minority schools in Polish Upper Silesia, where the German population did not number more than 200,000.³ In March 1929, the Polish authorities in Katowice maintained that, according to their information, only 425 children were being educated in Polish schools in German Upper Silesia. It was also stated that educational facilities for Poles in the German eastern provinces and in the Rhineland and Westphalia were far from satisfactory, and it was alleged that the minority in these districts was being systematically intimidated and was afraid to complain.⁴ Another Polish grievance was the absence of facilities for secondary education for Polish children in Germany. In 1932 the Polish population in German Upper Silesia collected

¹ See below, p. 353 *seqq.*

² In the French *Temps*, which naturally supported the Polish case.

³ Such comparisons were vitiated to a considerable extent by the social and cultural differences which existed between the minorities in the two parts of Upper Silesia. The Poles in German Upper Silesia belonged, for the most part, to the poorest classes, and were scattered throughout the country; whereas the majority of the Germans in Polish Upper Silesia were relatively well-to-do, cultured town dwellers. It followed that the German minority's standard in the matter of educational facilities was very much higher than that of the Polish minority.

⁴ A Polish review, *Les Questions Minoritaires*, in its issue of November 1928, gave the following figures which were cited by Sir Robert Donald (*The Polish Corridor*, p. 214). In 1928 there were said to be in Allenstein approximately 6,678 Polish children, and 9,813 Masures whose maternal language was Polish. The German authorities were accused of having done nothing to provide minority schools for four years, while in 1927 only 1.7 per cent. of the Polish children were taught to read and write Polish (4.3 per cent. if the bilingual Masures were added). In Prussian Pomerania there were no schools for Polish children. In the residue of West Prussia and Posen—the 'Grenzmark'—there were 2,242 Polish children, of whom 1,137 were given tuition in Polish in 17 schools. The Poles complained not only that their children were not given exclusively Polish schools, but also that they did not even receive adequate teaching in Polish in German schools.

sufficient funds to enable a Polish *lycée* to be established in Beuthen, but at the last moment, it was alleged, the German authorities raised difficulties which made it impossible for the *lycée* to be opened. The Polish minority addressed an appeal to the League of Nations on this subject in October 1932, and in the following month the *lycée* was opened. Permission was only given in the first place, however, for it to remain open for six months—a condition which made it extremely difficult for the school work to be organized. Specific appeals regarding Polish schools in Germany figured very rarely on the agenda of the League Council, and although this fact did not in itself prove the justice of the German contention that a minority school was provided wherever there was a demand for it,¹ the relatively small number of Polish minority schools and of children attending such schools was probably due in part to the preference of Polish parents for a German education for their children.²

The appeals from the Polish minority in Germany which did reach the Council of the League were dealt with, as a rule, by the Council's acceptance of the assurance given by the German Government that adequate steps were being taken to remedy grievances and that disciplinary action had been taken, where necessary, against offenders. In April 1928, for instance, the Polish minority appealed against alleged acts of terrorism at a children's fête. The Council, in the following June, noted that the principal persons implicated had been sentenced to long terms of imprisonment, and expressed its confidence that any other necessary measures would be carried through. In March 1929 the Council heard three appeals from the Oppeln Section of the Association of Poles in Germany, one of which dealt with the question of the use of Polish by children attending primary schools. The allegations in the petitions of the harsh treatment meted out by German teachers to children who were heard to speak Polish were reminiscent of the *Kulturkampf* in Prussian Poland which gave rise to the famous school strike of 1906–7 in Posen and West Prussia. The Council accepted as satisfactory the German assurance that those of the teachers concerned who had been found guilty had been reprimanded and transferred and that measures were being taken to

¹ The Germans, for instance, pointed to the fact that in 1928 the Prussian State Government published a decree conferring on linguistic minorities in Prussia all the privileges in regard to schools which had been laid down in the Minorities Treaties. The Poles maintained, however, that this piece of legislation, while it looked well on paper, did nothing to improve the situation because the German authorities were able to exercise sufficient control over the Polish-speaking classes to ensure that they should not demand the establishment of minority schools.

² On this point see p. 353 below.

prevent the recurrence of such incidents. The other two appeals heard at the same time related to the use of the Polish language by the minority in their dealings with public officials, and to facilities for the minority to attend religious ceremonies.¹

In June 1929 the Council heard another Polish petition alleging that the German authorities had not observed the provisions of the Upper Silesian Convention with regard to the establishment, maintenance, and organization of Polish minority schools. The Council adopted the conclusions of the *Rapporteur* that in three specific cases in which instruction in minority schools had been suspended owing to a falling off in numbers, no infraction of the Geneva Convention had taken place, and that a general allegation made by the petitioners that Polish parents were subject to pressure by the authorities, not being supported by specific instances, could not be dealt with by the Council.

In April 1929 an incident occurred at Oppeln which, for a time, imposed an additional strain on German-Polish relations. A company of Polish actors, who had been invited to the town to give a performance of a Polish opera in the municipal theatre, were attacked both in the theatre and at the station on their departure by a band of German youths belonging to the 'Nazi' party or to the *Stahlhelm*. A number of the actors, and some of the Polish spectators, sustained injuries, which were not, however, of a serious nature. This incident gave rise to special resentment in Poland, because the Municipal Theatre at Katowice, from which the actors came, gave regular performances in German for the benefit of the German minority,² and this resentment took the form of anti-German manifestations in Warsaw and elsewhere. The case was referred to the Council by the Polish minority, but as the German Government declared that criminal proceedings had been instituted against all persons suspected of taking part in the disturbance, the Council in its session of September 1929 expressed its confidence that such incidents would not recur and that the Polish minority would enjoy full cultural freedom. The Council also declared itself satisfied with the German explanation of certain other incidents which were referred to in another Polish

¹ A similar complaint regarding the prohibition of the use of Polish by school children reached the Council in June 1929, but since the acts complained of had taken place before the Council meeting of March 1929, the Council merely took note of information furnished by the German Government regarding the action taken in this case also.

² A regular programme of exchange between German and Polish theatrical companies appears to have been in force for some time, and it had not hitherto given occasion for hostile manifestations either in German or in Polish territory.

petition, in which the general complaint was made that the German authorities had not created in the Oppeln district the conditions of public security which were laid down as essential in the Geneva Convention. In January 1930, again, the Council, having heard a complaint from the Polish association regarding the difficulty of acquiring land in German Upper Silesia, took note of the steps which were being taken by the German Government to avoid future complaints of discrimination against the Polish minority.

From this brief examination of the principal complaints which were made by the Polish minority in Upper Silesia during the period under review, it will be seen that instances of discrimination and of the denial of minority rights did take place from time to time in German Upper Silesia, but that the German authorities were generally able to satisfy the Council of the League of Nations that they had taken, or would take, the necessary steps to remedy grievances.

It has been mentioned that the treatment of the German minority in the western provinces of Poland, other than Upper Silesia, was not subject to the special conditions which gave the Silesian minorities direct access to the Council, so that their grievances received less publicity. The chief concern of the German Government in regard to the Germans settled in the Polish provinces of Pomorze (Pomerelia) and Poznań (Posen) was to prevent their eviction or expropriation by the Polish authorities. The struggle over the questions of expulsion of German nationals and liquidation of German property during the years 1920 to 1925 has been dealt with in previous volumes,¹ and in an earlier section of the present chapter² some account is given of the later stages of the controversy over the liquidation of property which was finally settled by the agreement of the 31st October, 1929. Properly speaking, these questions were only minority problems when the persons affected had fulfilled the conditions which entitled them to possess Polish nationality, and although the determination of nationality was a matter which gave rise to endless disputes, the difficulties which arose were not as a rule dealt with by the minorities procedure.

Disputes concerning the expropriation of German settlers in Poznań and Pomorze through the application of the Polish Land Reform Law of December 1925 were, however, dealt with as questions affecting minorities. In 1926 and 1927, and again in 1929, representatives

¹ For the case of the German colonists of Bydgoszcz (Bromberg) who were threatened with eviction in 1921, see the *Survey for 1920-3*, Part III, section (i) 3. In the *Survey for 1925*, vol. ii, the questions of nationality and liquidation are dealt with down to the end of the year 1925.

² See sub-section (b), p. 327 *seqq.* above.

of the German minority complained to the League of Nations of discrimination against members of the minority in the carrying out of the scheme of agrarian reform. In 1929, the question was referred to a Minorities Committee consisting of three members of the League Council (the representatives of Great Britain, Italy, and Persia), and, after prolonged deliberations and a lengthy correspondence with the Polish Government, this committee submitted a report on the 23rd May, 1931. The report noted that there was a 'disparity between the respective contributions to the agrarian reform of owners belonging to the German minority and owners belonging to the Polish majority,' and laid down the principle that the application of the reform scheme must be determined by social and economic considerations and not by the nationality of the persons affected. The decision of the Minorities Committee was received with great satisfaction in Germany, since it was considered to be a recommendation that the Polish authorities should exempt estates belonging to the German minority from expropriation until the disproportion which the committee had noted had disappeared. 'The practice of the Polish authorities' during the next nine months, however, 'was not in harmony with the spirit of the Minorities Committee's decision.'¹ On the 1st September, 1931, and the 15th January, 1932, two further petitions alleging continued discrimination were addressed by the German minority to the League Secretariat, and on the 19th January the German Government intervened with a request that the matter should be placed upon the agenda of the Council.

In justification for this request, which was made in virtue of Article 12 of the Polish Minorities Treaty,² the German Government referred to their 'grave fear that, despite the resolution adopted by the Committee of Three on the 23rd May, 1931, equal treatment will still not be applied in the future to the German minority in the sphere of agrarian reform'. The Polish Government resented this action on the part of the German Government, and when the question came before the Council on the 21st May, 1932, the debate turned less on the substance of the German complaints than on the desirability or undesirability of a departure from the ordinary minorities procedure in this case. The Council finally decided that the question should be dealt with by the Committee of Three which had previously examined

¹ Statement by the German representative, Count Welczeck, to the League Council on the 21st May, 1932.

² The German Government had already, in December 1930, taken advantage of the provisions of this article in order to bring to the notice of the Council the situation in Pomorze and Poznań at the time of the elections for the Polish Sejm and Senate (see p. 364 below).

it (the representative of Japan being substituted for the representative of Persia, who was no longer a member of the Council), and that this committee should report to the Council at a subsequent session. The Committee's report was submitted to the Council in December 1932, but the German representative asked that its consideration should be postponed in order that his Government might be able to present additional arguments. In the meantime the grievances of the German minority in Poznań and Pomorze remained unredressed.¹

The only other important petition concerning the protection of the German minority outside Upper Silesia which reached the Council of the League during the years 1926-32 was that regarding the treatment of the minority during the Polish elections of 1930 which was submitted by the German Government in the December of that year. This is dealt with below² in connexion with the simultaneous petitions concerning the situation in Upper Silesia at the time of the elections.

The complaints of infractions of the Geneva Convention which were made by the German minority in Upper Silesia during the years 1926-32 were far too numerous to be examined in any detail. The more important of them fell, as a rule, into one of two categories; they related either to the question of minority schools or to accusations of illegal action brought by the Polish authorities against members of the German *Volksbund*—an association which had been founded in 1921 for the maintenance and protection of German interests in Upper Silesia, and which was the recognized mouthpiece of the minority. The most serious case of all, however, did not fall within either of these two categories, since it related to repressive measures taken by the Polish authorities against the German population at the time of the elections of 1930.³

¹ A German authority, Dr. Carl Budding, writing in January 1932, gave the following figures (derived from Polish sources) of German-owned lands which had been expropriated under the agrarian reform scheme. In Poznań the German minority possessed 35 per cent. of the land, and contributed 51 per cent. of the total expropriations; while in Pomorze the proportion of land owned by Germans was 60·7 per cent. and the proportion of expropriations 72·3 per cent. (*Danzig et quelques aspects du problème germano-polonais*, published in 1932 by the Carnegie Endowment for International Peace, p. 209.)

² See p. 364 *seqq.* below.

³ There were also, of course, a great many cases of complaints of hardship of various kinds suffered by individual members of the minority. One of the most interesting of these cases was that of the Prince of Pless—the owner of a large part of both German and Polish Upper Silesia, who devoted a considerable proportion of his income to the support of the German minority, and who made it a rule not to employ any Poles. In 1930, it was alleged, the Polish

The questions which arose in connexion with minority schools in Polish Upper Silesia often appeared trivial in themselves, but the principle on which the complaints were based was, of course, one of fundamental importance. The protection of the cultural rights of minorities was one of the main objects of the minorities treaties, and it was expressly laid down in those treaties that in towns and districts in which a considerable proportion of the inhabitants spoke a language other than that of the majority, facilities for the instruction of children in their mother-tongue must be provided. The difficulties in Upper Silesia arose not so much over the education of children of unquestionably German parentage as over the education of children of indigenous parents—people who belonged for the most part to the lower social grades and who were often bilingual. The tendency of these people to send their children to schools in which they would receive a German education was hotly resented by the Polish authorities, who did not see why they should pay for minority schools in order that they might be used, as they maintained was the case, as an instrument of Germanization. The trouble arose largely out of the incontestable fact that a knowledge of German was likely to be more useful to the children concerned in after-life than a knowledge of Polish—if only because the area in which the German language was current was far larger than the area in which Polish was current and was also more highly developed in an economic sense, with a correspondingly higher rate of wages and higher standard of life. These considerations applied also in the case of the Polish minority in Germany, and helped to account for the disproportion between the numbers of the minority schools and of the children attending them in the two portions of Upper Silesia.¹ It was hardly to be expected, however, that the Poles, with their highly developed sense of patriotism and their pride in their country's historic past, should willingly recognize that German culture was superior in any respect to Polish culture, and they were therefore disposed to attribute the attraction of Polish-speaking or bilingual children to the German

taxation authorities assessed the income of the Prince of Pless at an extravagantly high rate in order to make it impossible for him to continue his contributions to German funds. In May 1931, the Council of the League, to which the matter had been referred, took note of information from the Polish Government that measures with a view to the collection of taxes in arrears (which were said to amount to the sum of £300,000) had been suspended until the competent authorities had completed their examination of certain points which had been referred to them. The dispute was not settled, however, and in May 1932 the German Government submitted the case to the Permanent Court of International Justice for an advisory opinion. The Court began its hearing of the case in November 1932.

¹ See pp. 347-8 above.

schools to nefarious activities on the part of the German minority. It was freely asserted, on the Polish side, that bribery, or pressure exercised by German foremen or managers upon Polish-speaking workmen, was responsible for a large number of the entries in the German school registers. The Germans countered by accusing the Poles of acts of 'terrorism' against parents who had indicated their intention of sending their children to a minority school;¹ of closing minority schools, or of failing to provide them on demand; and of dismissing German teachers and replacing them by Poles with an inadequate knowledge of the German language.²

The aspect of the controversy which attracted most attention from the outside world, since it was fought out over a number of years, with repeated recourse to the arbitration of the League Council and of the Permanent Court of International Justice, turned on the question whether the Polish authorities had the right to prohibit the attendance at minority schools of children whose mother-tongue was not German. This dispute began in the year 1926, when the Polish authorities cancelled the majority of the 8,650 entries for the German minority schools for the year 1926-7 on the ground either that the children concerned did not belong to the minority or that the persons responsible for their education had not complied with the summons to attend an administrative inquiry which had been held for the purpose of deciding the mother-tongue of the children entered for the schools. An appeal from the *Deutscher Volksbund* against the action of the Polish authorities came before the Council of the League³ in March 1927. On the 12th March the Council recommended that the Polish authorities should reconsider the cases of children who were declared to be bilingual and of those who had been excluded because their parents had failed to attend the inquiry; but it expressed the common-sense opinion that it was inexpedient for children who spoke only Polish to be admitted to minority schools, and it asked Monsieur Calonder to arrange for the examination of doubtful cases by a Swiss educational expert, in order to ascertain whether the children in question could usefully attend the minority schools or not. Nearly half of the children thus examined

¹ Fines were frequently inflicted by the Polish authorities upon parents who, having had their application for admission of their children to a minority school rejected, still refrained from sending them to a Polish school.

² It is impossible in this place to review all the numerous petitions which were made to the Council of the League on the subject of minority schools in German Upper Silesia. During the year 1928, for instance, the Council had to deal with eighteen separate petitions on this question.

³ A previous appeal to Monsieur Calonder had elicited an opinion in favour of the German case, but the Polish authorities had refused to accept this ruling.

were found to understand little or no German and were therefore excluded from the minority schools.

In the autumn of 1927 the Polish authorities, with the approval of the Colombian representative on the Council, who had acted as *rapporteur* on the question in the previous March, decided to hold a similar inquiry into the cases of children entered for the minority schools for the year 1927-8. The German Government, which had accepted the Council's decision of the 12th March, 1927, only on the understanding that the procedure recommended was to be an exceptional measure, protested against the decision of the Polish authorities and announced their intention of asking the Permanent Court of International Justice to interpret the relevant provisions of the Geneva Convention. This intention was duly carried out, and the Court's judgement, which was delivered on the 26th April, 1928, supported the German contention that the Polish authorities were not within their rights in conducting an examination in order to ascertain the mother-tongue of children entered for minority schools.

In December 1928 a number of petitions relating to minority schools in Upper Silesia again figured upon the agenda of the League Council, and in the course of the debate on the 15th December a more than usually heated exchange of views took place between the German and the Polish representatives on the Council. Monsieur Zaleski took occasion to observe that the principal difficulties met with in the normal working of the minority schools arose out of the fact that some declarations as to the children's mother-tongue were not in conformity with the facts, and that the Polish authorities, in view of the Permanent Court's ruling, were unable either to verify or contest these declarations. He declared that the Council had been 'submerged by a stream of petitions from the *Volksbund*' and indicated that the object of the petitioners was 'not so much to satisfy the wishes of the minority as to persuade world opinion that the rights of the German minority are disregarded and that the Geneva Convention has been violated'. He went on to assert that 'the conflict between the nationalities in Polish Upper Silesia would not exist if the *Volksbund* were to abstain from constantly stirring up men's minds against the present status of the country, from creating political agitation and even engaging in subversive activities'; and he claimed that the Polish Government showed 'extreme liberalism' in tolerating 'the existence of an organization, some of the members of which have notoriously committed the crime of high treason'.¹

¹ For the case of Dr. Ulitz, to which Monsieur Zaleski was referring, see p. 358 below.

Monsieur Zaleski's allegations provoked an outburst from Dr. Stresemann, who even gave vent to his emotion by thumping upon the Council table with his fist. He declared that he had listened 'with the greatest amazement' to the Polish representative's speech, which appeared to him 'to have been prompted by a spirit of hatred towards the German minority'. He resented particularly the accusation against the *Volksbund*, though his defence of the members of that association was not couched in the happiest possible terms. 'Sometimes,' he remarked, 'high treason and love of the old country are very closely akin and . . . there are well-known men held in high esteem who have been guided by that love and by the dictates of feelings of that kind in their attitude towards political questions.'

This passage of arms between the German and the Polish Foreign Ministers in December 1928 gave rise to considerable comment, but its repercussions were less serious than they might have been, perhaps, if the protagonists had been representatives of countries which were normally on friendly terms. In point of fact, the number of petitions regarding minority schools which reached the Council from Polish Upper Silesia showed a marked decrease from this time onwards. This was in part the result of changes in the procedure for dealing with petitions which were agreed upon as the result of German-Polish conversations which took place in Paris from the 25th March to the 6th April, 1929.¹

During its session in September 1930, however, the Council had before it another appeal from the *Volksbund* on an educational question. This appeal asked the Council to decide that sixty children who had been refused admission to minority schools as a result of the examination of doubtful cases which had been carried out in 1927 might now be admitted to those schools. The Council decided to ask the Permanent Court to give an advisory opinion on the legal aspect of the question, and on the 15th May, 1931, the Court ruled that children who had been excluded from minority schools on the basis of language tests could not still be refused access to those schools, since the measures introduced in consequence of the Council's resolution of the 12th March, 1927, had ceased to be applicable after the Court had given its interpretation of the relevant provisions of the Geneva Convention on the 26th April, 1928.

The Polish Government accepted this ruling at the meeting of the Council in September 1931, though they reserved their right to revert to the question of the possible consequences of the admission to minority schools of children who did not speak German. The German

¹ See p. 346 above, footnote.

representative expressed the hope that the Court's opinion would lead to the cancellation of measures which had been taken against the parents or guardians of some of the children concerned because they had not sent the children to Polish schools, but on this point the Polish representative refused to make a definite statement.

Thus this protracted struggle had been won, in the legal sense, by Germany; but it was clear that a legal settlement did not preclude the possibility of further disputes. Unless and until the relations between Germany and Poland in general, and between Germans and Poles in Upper Silesia in particular, took a definite turn for the better, either side was likely to continue to accuse the other of abuses of the minority school system. It was still open to the Poles to maintain that the Germans exercised undue pressure upon parents who entered their children for minority schools, and to the Germans to retaliate by allegations of 'terrorism' and repressive measures.

Polish accusations against officials and members of the *Deutscher Volksbund* were also a constant source of trouble in Polish Upper Silesia and were greatly resented in Germany,¹ though the appeals which reached the Council of the League in this connexion were few and far between compared with those on the subject of minority schools. In February 1926 the Polish authorities arrested thirteen members of the *Volksbund* and seized papers which, they declared, proved the existence of a widespread system of espionage upon Polish military activities, and also of an organization for facilitating the desertion of Polish soldiers and for providing illegal certificates of German nationality for Polish subjects wishing to evade their military obligations. Of the thirteen persons arrested, however, twelve were put on their trial for 'industrial espionage' in the interests of Germany, and only one for the betrayal of military secrets. Of the twelve, two were acquitted on the 16th October, 1926, and ten were sentenced to terms of imprisonment ranging from two years to six months. The one German accused of military espionage—a certain Schulrat Dudek, who was the head of the section of the *Volksbund* which dealt with educational matters—had already been sentenced in July to eighteen months' imprisonment. In December 1926 further arrests were effected, and during the next two years there were repeated rumours that the Polish authorities were on the verge of uncovering a sensational 'spy plot'. The individual whose name figured most frequently in these reports was Herr Ulitz, who was the President of the *Deutscher Volksbund*, and who was also

¹ See pp. 355-6 above for the passage of arms between Dr. Stresemann and Monsieur Zaleski on the subject at the Council session in December 1928.

a member of the Upper Silesian Sejm. The Polish authorities openly accused Herr Ulitz of assisting conscripts to escape military service; but in his capacity as a deputy he enjoyed parliamentary immunity, and the Sejm refused to agree to proposals made by the Polish authorities that his immunity should be suspended in order that he might stand his trial on a charge of treason. On the 12th February, 1929, however, the Silesian Sejm was dissolved by order of the Polish Voivode, Monsieur Grazynski,¹ and on the following day Herr Ulitz was arrested. The *Volksbund* promptly appealed to the League Council against the action of the Polish authorities, and the Council dealt with the question during its session in March 1929 by recommending that the judicial proceedings which had already been initiated should be accelerated and by obtaining from Monsieur Zaleski an undertaking that Herr Ulitz would be given a public trial. Herr Ulitz was tried before the Katowice Court at the end of July and was found guilty, on very doubtful evidence, of having forged documents in order to enable conscripts and reservists to escape from Polish territory. He was sentenced to five months' imprisonment, but the sentence was not to take effect during a probationary period of two years. Herr Ulitz appealed against this sentence—the extreme leniency of which, on a charge of treason, was considered to be virtually an admission of his innocence—and he was acquitted of the charge against him in April 1930, when the appeal was heard.

The irritation which had been produced among the German minority by the Polish accusations against the *Volksbund* had naturally not been diminished by the result of Herr Ulitz's first trial, but it subsided as soon as he was finally cleared of the charge against him. Indeed, his acquittal in April 1930, with its implication that justice for the German minority was, after all, obtainable in Poland, had for a short time a markedly reconciling effect upon the relations between the two sections of the population in Polish Upper Silesia. Unfortunately the acquittal of Herr Ulitz was followed in a few months' time by elections for a new Sejm and Senate in Warsaw and for a new Upper Silesian Sejm, and the election campaign was

¹ On the German side it was asserted that the reason for the dissolution of the Sejm was Monsieur Grazynski's desire to end Herr Ulitz's parliamentary immunity, but on the Polish side it was pointed out that the Sejm had been elected in 1923 for a period of five years, so that its dissolution was overdue. The Sejm had recently been showing an increasing lack of docility to instructions received from Warsaw, and a large proportion of the deputies (including Monsieur Korfanty, the leader of the insurrection of 1921) were hostile to Marshal Pilsudski and to Monsieur Grazynski as the Marshal's nominee and supporter.

the occasion for organized acts of violence against the German population which surpassed anything that had occurred since the Polish insurrection of 1921.

There had been comparatively few elections—either municipal or parliamentary—in Polish Upper Silesia since the time of the partition. The first municipal and communal elections took place in November 1926, and supplementary elections were held in the following May. Municipal elections took place again in December 1929 and March 1930. In March 1928 elections for the Sejm at Warsaw took place throughout Poland, including Upper Silesia, but the first elections for the Upper Silesian Sejm since 1923 were held in May 1930—the Sejm having been dissolved, as has been mentioned above, in February 1929. At the municipal elections of 1926-7 and 1929-30 there had been complaints of pressure on German candidates to withdraw and of intimidation of voters, and similar accusations of 'terror' and of the suppression of German names from voting lists had been made at the time of the general elections in March 1928. Instances of repression, however, seem to have been more or less isolated during these earlier elections, and not part of an organized campaign. The elections for the Upper Silesian Sejm in May 1930 passed off fairly quietly, and resulted in an increase in the number of German members from 14 to 16 and a corresponding decrease in the number of Polish members from 34 to 32. The Sejm thus elected was, however, dissolved on the 26th September, 1930 (in consequence of the continued conflict between the opposition, led by Monsieur Korfanty, and the Voivode, Monsieur Grazynski), and the elections were fixed to take place on the 23rd November, at the same time as the election for the Warsaw Senate. The election for the Warsaw Sejm was to take place on the 16th November.¹

The result of the election for the Upper Silesian Sejm on the 23rd November was to reduce the number of German seats from 16 to 9. This fact in itself indicated that there had not been liberty of voting, but the full extent of the anti-German pressure which had been exercised during the election campaign was not realized by the world at large until the whole question was ventilated as a result of German appeals to the Council of the League of Nations.

During the summer of 1930 the tension between Germany and

¹ It should be noted that the measures which were taken during the election campaign in Upper Silesia were not peculiar to that district, nor were they applied solely against the German minority. The elections were 'managed' throughout Poland, and the Government took steps to secure a majority by such measures as the arrest of opposition leaders and restriction on freedom of voting.

Poland—which had relaxed towards the end of 1929 sufficiently to permit of the conclusion of two important treaties¹—had increased once more to a dangerous extent. In August 1930 a German Minister, Herr Treviranus, dealt in an election speech with the possibility of a revision of the German eastern frontiers.²

This speech, in conjunction with a discussion of the revision of the frontiers in the international press as well as in that of the Reich, created a reaction in Poland. In speeches and articles, in interviews, at meetings, in the Press, in communal assemblies, &c., it was declared that the raising of the revision question meant war between Poland and Germany. It was in this atmosphere that the Warsaw Sejm, the Senate, and the Silesian Sejm were dissolved and that new elections for these bodies were ordered. The campaign against a revision of the frontiers now became a plank in election platforms.³

From the 19th to the 26th October, 1930, an 'anti-German week' was organized in Polish Upper Silesia. It was advertised in advance in the press and by means of posters⁴ which were put up in conspicuous places and in some cases in public buildings. The preparations for this week combined with the issue of election manifestoes to produce an increasingly bitter feeling against the German population; and the day before the 'anti-German week' was due to begin two former German deputies appealed to the Voivode to take measures for the protection of the German minority. The Voivode was said to have assured them 'that the police would prevent any excesses'. On the 1st November, 1930, the same two deputies sent a telegram to the Polish Minister of the Interior, informing him of the assurance given by the Voivode and declaring that 'since then many peaceable Germans have been assaulted publicly and in their dwellings, have been severely ill-treated and have gone in danger of their lives. . . . The general state of insecurity is rendered more acute by the daily threats of the Press. No police protection is forthcoming. The German population feels itself a helpless prey to terrorism.'⁵ The Minister of the Interior was accordingly requested 'to take immediate

¹ The liquidation agreement of the 31st October, 1929, (see sub-section (b) above), and the commercial agreement of the 17th March, 1930 (see sub-section (c) above).

² See above, p. 320.

³ Quoted from the petition of the *Deutscher Volksbund* to the League of Nations, dated the 7th January, 1931 (*League of Nations Official Journal*, February 1931, p. 382).

⁴ Certain of these posters are reproduced in the *League of Nations Official Journal* for February 1931.

⁵ The telegram was reproduced in the *Volksbund's* petition of the 7th January, 1931, cited above.

and effective measures for the protection of the German population'. This appeal elicited no reply.

The members of the German minority who were subjected to terrorism during the 'anti-German week' and during the later stages of the election campaign asserted, in nearly every case, that their assailants were members of the 'Union of Silesian Insurgents'¹—an association whose name alone was calculated to keep alive in the minds of Poles and Germans alike memories of the anti-German excesses which had accompanied the Upper Silesian insurrection of 1921. Members of the Union were authorized to wear uniform and to carry arms, and, according to the German version, they received financial support from the Polish state and enjoyed privileged treatment in various other ways. Monsieur Grazynski, the Silesian Voivode, was Honorary President of the Union,² and was said to take a large part in its activities.

The campaign of intimidation conducted by the Union of Silesian Insurgents increased in intensity as the polling days grew nearer, with the result that 'the German minority in Upper Silesia was to a great extent deprived of its suffrage rights'.³ The accounts of the situation which reached Berlin were so serious that on the 27th November, four days after the elections for the Warsaw Senate and the Silesian Sejm, the German Government took the step of appealing on behalf of the minority to the League of Nations,⁴ and asking that the appeal should be placed, as a matter of urgency, on the agenda

¹ On the 19th May, 1928, the *Deutscher Volksbund* had already appealed to the League Council against the lack of public security in Upper Silesia, which imposed 'extreme moral and material hardship on the members of the German minority', and they had declared that it was the Union of Insurgents which was responsible for this state of affairs. The Council, on the 8th September, 1928, had noted the explanations given by the Polish Government and had accepted their assurance that suitable measures had been and would be taken against persons guilty of offences against Germans. Thereafter the situation had improved, apart from isolated instances.

² Monsieur Grazynski acted in this capacity not in virtue of his office but because he had been one of the chief leaders of the insurrection of 1921.

³ Quoted from the letter from the German Government to the League of Nations dated the 27th November, 1930 (*League of Nations Official Journal*, February, 1931, p. 371).

⁴ The German Government based their right to intervene on paragraph 2 of Article 72 of the Geneva Convention regarding Upper Silesia, the terms of which were identical with those of paragraph 2 of Article 12 of the Polish Minorities Treaty:

'Poland agrees that any Member of the Council of the League of Nations shall have the right to bring to the attention of the Council any infraction of any of these obligations, and that the Council may thereupon take such action and give such direction as it may deem proper and effective in the circumstances.'

for the next session of the League Council. In their communication the German Government gave details of the methods which were alleged to have been used in order to prevent members of the German minority from recording their votes, and they supplemented their general accusations by a 'brief account of some of the most glaring cases' of intimidation which had been brought to their notice. In conclusion, they summed up the situation in Upper Silesia as follows:

Large sections of the German minority were deliberately prevented by arbitrary measures of the authorities from exercising their right of vote, and even where the minority was able to use that right it could not record its votes by secret ballot.

The reign of terror to which the German minority is subjected is due mainly to the 'Union of Insurgents' which deliberately planned and carried out a campaign against the German element. The Union works in concert with the authorities. The highest official in Polish Upper Silesia is the Honorary President of the Union, and many high officials are leading members. The police consistently neglect their duty by either not interfering at all or by taking very inadequate measures to prevent the acts of violence to which the minority is subjected, the reason being that the police either sympathize with the 'Insurgents' or do not dare interfere on account of the protection which the Union enjoys in high places.

On the 9th December, 1930, the German Government dispatched a second communication to the League enumerating certain other acts of violence of which the German Government had been notified since the 27th November.

These protests by the German Government were followed on the 7th January, 1931, by a petition from the *Deutscher Volksbund* in which further details were given. The *Volksbund* related the attempts which had been made to secure protection from the authorities,¹ explained the nature and activities of the Union of Silesian Insurgents and other 'promoters and agents of terrorism',² and examined the behaviour of the police and the attitude of the Government authorities. The petition concluded by asking the Council of the League 'to note and resolve the following:

1. Articles 75 and 83 of the Geneva Convention have been infringed.
2. The Polish Government shall take such steps against the authorities responsible for permitting the breaches of the treaty as will demon-

¹ See above, p. 360.

² The 'Westenmarkverein' was said to have been, together with the Insurgents' Union, 'the chief protagonist in the campaign against the German minority'; but the Government Party, 'which reaped the benefit of the activities of the two associations', was also said to have 'modelled its own methods on theirs'.

strate to the Polish and German populations that there can be no repetition of such offences.

3. The Polish Government shall examine whether the privileged position of the Union of Silesian Insurgents can be maintained.'

The documentary evidence which was attached to the petition included copies of posters, texts of election proclamations and of speeches, and numerous extracts from the press. Finally, details were given of 255 cases of terrorism in the five electoral divisions of Upper Silesia.

On the 6th January, 1931, the Polish Government forwarded to the League Secretariat their observations on the German Government's two communications of the 27th November and the 9th December, 1930. They took exception, in the first place, to the action of the German Government in lodging complaints with the Council and declared that the attitude of the German Government had given rise to 'an intense anti-Polish propaganda campaign'. They deplored 'the fact that certain regrettable incidents which occurred during the elections . . . should have served as a basis for action of a political character clearly going beyond the scope of minority questions'. While certain of the German allegations were answered in detail, the Polish Government did not attempt to deny that anti-German excesses had taken place, but they maintained that there had been no organized campaign of terrorism. Their main argument was that election campaigns in most countries were 'accompanied by struggles between parties' which produced 'an atmosphere of tension and excitement', and they made a pointed reference to the recent elections in Germany in which 'these struggles assumed a violent form and . . . many persons were killed and wounded'. They countered the German lists of acts of terrorism by appending a list of their own in which details were given of acts of violence suffered by members of the Polish majority during the election campaign, and they pointed out that only two persons had lost their lives during the disturbances and that both of them were Poles.¹ In conclusion they expressed their 'most categorical disapproval of all the excesses that may have occurred during the electoral period in the Voivodie of Silesia, whoever the authors of those excesses might be'; and they declared that 'strict measures' had been and would be

¹ The trial of eight Germans who were accused of participation in the assassination of a Polish police officer on the 2nd November, 1930, was concluded a few days after the Polish Government dispatched their note to the League. Extenuating circumstances were taken into account and the severest sentence that was imposed was of eighteen months' imprisonment.

taken 'to prevent the occurrence of such incidents in future and to ensure the inhabitants of the Voivodie ample protection'.

In the meantime the German Government, on the 17th December, 1930, had taken the further step of requesting that the Council at its next session should also consider the situation in the Polish Voivodeships of Poznań (Posen) and Pomorze (Pomerelia) where a series of incidents had occurred in connexion with the Polish elections which, they declared, constituted a breach of the provisions of the Polish Minorities Treaty.¹ The note stated that the German Government had for a long time past been

following with the utmost anxiety the development of the situation of the German minority in the Voivodeships of Posen and Pomerelia. Although no such outrages against the minority have occurred in these districts as in Upper Silesia, the systematic anti-German agitation carried on by certain sections of the population in Posen and Pomerelia under the eyes of the Polish authorities is increasingly inflaming the national passions of the Polish majority, and hence increasingly endangering the position of the German minority.

Since the beginning of the election campaign which preceded the elections to the Polish Sejm and Senate, the position of the minority has grown materially worse, particularly in Pomerelia. Anti-German outrages have become more and more frequent, and Germans have been severely hampered in the exercise of their electoral rights. All kinds of devices have been used to prevent the German minority from giving free expression to their political desires.

Details were given of cases in which members of the German minority had been prevented from canvassing or voting by various methods; and while the reports of intimidation or violence which had reached the German Government were not serious, compared with the situation in Upper Silesia, there was ample evidence of 'arbitrary action by the Polish authorities', and of the exercise of 'powerful pressure' to prevent the 'free expression' of the German minority's wishes.

These German protests came before the Council of the League during its sixty-second session in January 1931. The occasion was a particularly important one, for a number of reasons. The actions complained of—even allowing for a certain amount of exaggeration and for the difficulty of preventing incidents during an election in which national feeling was bound to run high—constituted glaring instances of the infraction of the provisions for the protection of minorities; and there was strong evidence of the collusion of the Polish authorities. The League's handling of minority problems had

¹ The German Government's right to bring these questions before the League Council was based on paragraph 2 of Article 12 of the Polish Minorities Treaty (see p. 361, footnote 4 above).

been the subject of widespread criticism for some years past, and it was felt that this was a test case. If the Council could not succeed in satisfying the German Government and the German minority on this occasion that its influence was strong enough to ensure the redress of grievances and the prevention of further incidents, it would virtually have to admit its powerlessness to deal with any case of infraction of the minority treaties. The whole system for the protection of minorities would then, in fact, have broken down, and the minorities, and the Governments which were interested in their fate, would be thrown back on their own resources—with incalculable results for the future of Europe. An additional factor was the attitude of the German Government and the German people towards the League of Nations at this time. The development of German discontent with the League's work in the field of disarmament and security has been traced elsewhere;¹ and it is sufficient here to recall that that discontent had reached its highest pitch in December 1930, when the Preparatory Commission for the Disarmament Conference had concluded its labours. A campaign for the withdrawal of Germany from the League had been gaining force as the hope of securing equality of treatment in the matter of armaments through League channels had grown less, and the scale might well be turned if the Council failed to handle the question of the Upper Silesian minority in a manner which German opinion considered adequate. Since the possibility of Germany's resignation of her membership of the League was fraught with danger for Europe and for the world, the outcome of the sixty-second session of the League Council in January 1931 was awaited with an unusual degree of anxiety.

The difficult task of presiding over the sixty-second session of the Council fell to the British Foreign Secretary, Mr. Arthur Henderson. The morning and afternoon sessions of the Council on the 21st January, 1931, were taken up entirely by speeches by Dr. Curtius and Monsieur Zaleski, the Foreign Ministers of Germany and Poland respectively. Dr. Curtius formulated his charges and his demands in firm but temperate language. He explained that the German Government had brought these minority grievances before the Council themselves because they considered that the case was an altogether exceptional one. There had been a wave of terrorism, and the Polish Government had done nothing to restrain the open partiality of their officials. Dr. Curtius singled out the conduct of the Voivode, Monsieur Grazynski, for special condemnation. He cited examples of the activities of the Union of Silesian Insurgents and of official condonation

¹ See the *Survey for 1930*, Part I, section (iv).

of those activities. In regard to Poznań and Pomorze (Pomerelia) he observed that 'the acts of terrorism were neither so widespread nor so serious as in Upper Silesia ; on the other hand, the interference with the free exercise of the voting right was almost more serious'. He contrasted the treatment of the Polish minority in Germany with that of the German minority in Poland, and he also referred briefly to the vexed question of the revision of Germany's eastern frontier. While not repudiating the opinion, which, he said, had been held by every German Government, that revision of the frontiers was essential, he declared that the entire German people was at one in desiring to achieve its aim by peaceful means. In conclusion he raised the question whether the assurances given by the Polish Government that judicial proceedings had been instituted in consequence of the Upper Silesian incidents could be considered as an adequate reparation for the wrong done. The Council, he said 'must take all measures that the position may call for in order to ensure that reparation is actually effected. But, even if atonement is thus made for the past, the Council cannot let matters rest there. Precautions must be taken to prevent the recurrence of similar incidents. . . . The Council will have to go thoroughly into the question of [the Insurgents'] Union and its relations with official circles.'

Monsieur Zaleski's reply to Dr. Curtius was also couched in moderate terms, though a comparison which he drew between the association of Monsieur Grazynski with the Insurgents' Union and the association of President von Hindenburg with the *Stahlhelm* drew an indignant rejoinder from Dr. Curtius. Monsieur Zaleski admitted that there had been infractions of the Geneva Convention, but he attempted to minimize their importance. He thought that only 28 out of the 255 cases of violence or threats of violence cited by the *Volksbund* were serious, and he asserted that some severe sentences had already been passed on persons found guilty, and that the Polish authorities were taking all the necessary steps to deal with other offenders. He attributed the trouble in Upper Silesia to the treatment of the Polish minorities in Germany and to the German attitude regarding the eastern frontier, and he remarked that what Dr. Curtius had said on the subject of the frontier was calculated to envenom German-Polish relations and to do harm to the cause of the minority. Finally Monsieur Zaleski accepted in principle the three points which had formed the conclusion of the *Volksbund's* petition;¹ but he held that the *Volksbund's* demands had been satisfied so far as concerned the punishment of persons guilty of violations of the

¹ See above, pp. 362-3.

Geneva Convention, while in regard to the third point—the privileged position of the Insurgents' Union—he denied that the Polish Government had ever granted, or would grant, privileges to that body. He concluded his speech with the assurance that the Polish Government would 'use every means to bring about peace and tranquillity in Upper Silesia. It has acted with severity and will continue to do so relentlessly, against all the instigators of disorder whatever their origin'.

The further exchange of speeches between Dr. Curtius and Monsieur Zaleski at the afternoon session on the 21st January added little to the arguments advanced in the morning, and the Council asked the Japanese member, Mr. Yoshizawa, to draw up a report on the question. Mr. Yoshizawa's report was submitted to the Council on the 24th January. He declared that the evidence showed articles 75 and 83 of the Geneva Convention to have been violated in numerous cases. In the case of electoral irregularities, such as the suppression of candidates and the removal of names from the electoral registers, there had been an appeal to the Polish Courts, and the *Volksbund* reserved the right to appeal to the Council again if satisfaction were not obtained through this legal procedure. The Council, therefore, need not go into this aspect of the matter more fully at the moment. Mr. Yoshizawa accepted the German point of view that the Polish local authorities and the Polish Government were indirectly responsible for the acts of violence against the minority. The report noted the measures already taken against offenders and called upon the Polish Government to submit to the Council, before its next session in May 1931, a complete and detailed report setting forth the results of the inquiries in the different cases, as well as the punishments inflicted and the compensation awarded for damage to persons and property.

In regard to the indirect responsibility of the Polish Government, Mr. Yoshizawa laid stress on the necessity of avoiding any action that would be likely to stir up passions; and he pointed out that the responsibility of the authorities in this respect was specially heavy. Above all, the authorities must be above any suspicion of taking part in political strife against the minority. The document submitted to the Council conveyed the impression that the Union of Silesian Insurgents was inspired by a spirit which was certainly not calculated to promote reconciliation between the two sections of the population. In regions with a mixed population, no association with marked nationalist tendencies ought to have a privileged position of a nature to impair the rights of minorities. The Polish Government

were therefore recommended to take the necessary measures to dissolve any special connexion between the authorities and associations, such as the Union of Insurgents, in order to restore the confidence of the minority, 'which seemed to have been profoundly shaken'. The report concluded by expressing the desire of the Council to know before its next session what decisions the Polish Government had taken in regard to the Union of Insurgents.

Mr. Yoshizawa's report, it will be seen, constituted a strong condemnation of the action and attitude of the Polish authorities and the Polish Government, and it said much for the *rapporteur's* skill and tact that he was able to induce Monsieur Zaleski to agree to its terms.¹ The report was adopted unanimously, and Mr. Henderson, as President, congratulated the Council, and especially the German and Polish members, upon the results obtained. He expressed great satisfaction that the system of minority protection had been so firmly upheld by the Council, and he declared his conviction that the Council's action on this occasion marked the beginning of a new and final effort to give permanent shape to the system established by the minority treaties and by the Upper Silesian Convention. He also appealed to the majority in Upper Silesia to realize that the suppression of the rights of the minority was not in accordance with its interests, and to the minority to realize that it was in its true interest to co-operate loyally with the Government of the country in which it lived.

It was obvious, of course, that the decisions of the Council would only be effective if the Polish Government fulfilled the obligations which they had undertaken in accepting Mr. Yoshizawa's report. For this reason, German opinion, while pleased at the complete vindication of the German case and gratified that the Council had taken a stronger line than it had ever been known to take before in a question relating to the protection of minorities, suspended final judgment until the efficacy of the Polish measures could be seen.

The Polish Government duly supplied the Council, at its session in May 1931, with a statement giving a summary of the measures which they had adopted,² and with detailed particulars concerning

¹ Monsieur Zaleski was in a delicate position. The publicity which had recently been given to events in Eastern Galicia had undoubtedly alienated many sympathies from Poland, and the Polish Government's consciousness of this fact probably made them unusually ready to admit that they were in the wrong in the matter of Upper Silesia. (The situation of the Ukrainian minority in Poland will be dealt with in a future volume.)

² In the middle of March, Monsieur Grazynski had held a special conference with the Starostas (heads of administrative districts) in order to impress upon them the need for strict observance of the provisions relating to the protection

the action which had been taken on each of the 255 cases of alleged attack on the persons or property of the minority that had been brought to the Council's notice. The Polish statement, however, did not reach Geneva until the Council was actually in session, so that the members had not adequate time at their disposal for its examination. On the 23rd May Mr. Yoshizawa presented a report in which he asked the Council to take note of the particulars furnished by the Polish Government in regard to the inquiries undertaken into cases of alleged attacks, and the penalties imposed and measures of compensation decided on as a result of such inquiries. In regard to 'the most delicate aspect of the matter'—the question of the indirect responsibility of the authorities for the events in Upper Silesia—he drew the Council's attention to the fact that 'the measures reported by the Polish Government did not include the one which, in the opinion of certain members of the Council, would have afforded the most appropriate and effective means of severing such special bonds as might exist between the authorities and the Insurgents' Union'. Mr. Yoshizawa noted, nevertheless, that there had been 'a real and definite relaxation of the tension, and a very marked improvement in the relations between the authorities and the minority'. He added that the Council should now 'consider its main object to be to secure, in the future, the permanence of normal relations between the Polish authorities and the German minority, and it can feel certain that the Polish Government, on its side, will not fail to take whatever action may be needed for the final consolidation of such a result'. Mr. Yoshizawa, accordingly, asked the Council to close its examination of the matter by taking note of the information supplied by the Polish Government.

Dr. Curtius, however, raised objections to this course, on the ground that he had not yet been able to study the Polish statement with due care, and he suggested that the question should be adjourned until the next session of the Council. The Polish representative, Monsieur Sokal, received considerable support for his view that the Council should adopt the report without further delay, but Mr. Henderson, who had taken Dr. Curtius's place in the chair when the discussion on the German minority began, agreed with Dr. Curtius that the matter was too important to be disposed of without proper consideration having been given by all the members of the Council to the Polish statement, although he regretted the delay in reaching a final settlement, which was bound to be attended by certain risks

of minorities. This step, it was reported, was followed by a general feeling of conciliation and pacification.

of renewed friction. Mr. Henderson pointed out that, since the German member of the Council maintained his opposition to the adoption of the report, there was no course open to the Council save to adjourn the discussion until September.

The attitude of the German representative on this occasion was presumably determined by the suspicion that close examination of the Polish statement might reveal that the measures taken were not such as to satisfy German demands. Whether this suspicion proved to have been unfounded, or whether the German Government decided, in view of the improved situation in Upper Silesia, to let the matter drop, no further objections were raised by the German representative when the question came before the Council again in September 1931. With the unanimous adoption, on the 19th September, of a revised report by Mr. Yoshizawa, the Council's examination of the questions raised by the appeals from the German Government and the *Volksbund* in December 1930 and January 1931 was declared formally closed.

(iii) Poland and Danzig (1926-32)

In earlier volumes of this series¹ some account has been given of the special status which was conferred upon Danzig by the Peace Conference of Paris and of the situation in the Free City during the years 1920-5. The peculiar problems of Danzig arose out of the fact that a city which was predominantly German in character (in 1920, 97 per cent. of the population of about 200,000 were Germans²) was considered, at the time of the Peace Settlement, to be the only convenient outlet on the sea for Poland. Thus a population whose feelings of loyalty towards Germany had been stimulated by compulsory severance from the Reich found themselves obliged to live upon terms of the closest intimacy with Poland, with whose future the material interests of the Free City were inextricably bound up by the Peace Settlement.

The complicated arrangements for the administration of Danzig could only have worked satisfactorily if both Danzigers and Poles had approached the problem of co-operation with goodwill and with a genuine desire to make the experiment a success; but the will to agree seemed never to be present on both sides for a sufficient length

¹ The *Survey for 1920-3*, Part III, section (ii) 3 (d); the *Survey for 1925*, vol. ii, Part II D, section (ii).

² The population of the actual city of Danzig in 1920 was 194,953, but the population of the whole territory included in the Free City numbered 356,740. By 1924 the figures had risen to 206,458 and 383,995 respectively.

of time to make progress possible. The local problems of Danzig would no doubt have found a solution without undue difficulty if they had not formed part of the general problem of German-Polish relations.¹ So long as Germans in the Reich and in the Free City continued their campaign for a revision of frontiers which would bring Danzig, as well as the Corridor and Upper Silesia, once more under German rule, Poles were not likely to forget that they too had a grievance because their original demand for the incorporation of Danzig in Poland had not been granted. It was a constant complaint on the Polish side that a pro-German and anti-Polish spirit in Danzig was fostered artificially by various means—especially by the creation of an excessive number of official posts, to which Germans who were not natives of the city were appointed,² and by the organization of frequent manifestations on the part of German patriotic associations. On the other hand, the Danzigers found an ever-increasing cause of resentment against Poland in the development of the Polish port of Gdynia—a project which owed its initiation, in large measure, to the reluctance of Poland to remain dependent upon Danzig for the supply of munitions and other essential supplies in case of an emergency.³

The history of Danzig during the early years of the post-war period was the history of a conflict between national sentiment and economic interest. While national sentiment impelled the Danzigers to turn their faces towards Germany and their backs to Poland, they were pulled simultaneously in the opposite direction by the hard economic fact that Poland—apart from any treaty provisions—formed the natural hinterland to Danzig. The conflict was reflected

¹ See sub-section (a) of the preceding section.

² The systematic appointment of German officials from the Reich was considered, with some justice, to be no less detrimental to the interests of the Danzigers themselves than it was to the interests of Poland. In October 1932 the Polish Government appealed to the League High Commissioner for a revision of the terms of a Polish-Danzig Convention of 1921 in regard to the acquisition of Danzig citizenship by civil servants who were not nationals of the Free City. The Polish Government expressed the opinion that a modification of the treaty would help to improve relations between Danzig and Poland and would also contribute towards the solution of the unemployment problem in the Free City by replacing a number of officials of German nationality by Danzigers.

³ In 1920, during the Russo-Polish war, and at a moment when the Russians were approaching Warsaw, the Danzigers had refused to unload munitions, destined for Polish use, which had arrived in the port. If it had not been for the intervention of Allied troops who were still stationed in the city, the transport of these indispensable supplies might have been delayed until it was too late. The question of competition between Gdynia and Danzig is dealt with below (p. 381 *seqq.*).

in the international field by the numerous disputes between Danzig and Poland which were brought to the notice of the High Commissioner of the League of Nations or of the League Council. In the field of internal politics it represented the main line of cleavage between the parties of the Right and of the Left in Danzig. Generally speaking, it may be said that all the political parties in Danzig (with the exception of the numerically insignificant group which represented the Polish minority) were anxious that the city should not lose its essentially German character; but while the parties of the Right manifested their solidarity with the Reich by adopting a policy of consistent opposition to Poland, the parties of the Left—at any rate during the earlier part of the period under review—were inclined to be more conciliatory towards Poland, in the hope of reaping some of the economic advantages which the Peace Settlement had been intended to bring to the Free City as well as to Poland. Accordingly, there was a definite connexion between the nature of Danzig's relations with Poland at any given moment during the years 1926 to 1932 and the political complexion of the Government which was in office in the Free City at that moment.¹

During the period under review the relations between Danzig and Poland passed through four phases. The first phase had opened in August 1925, with the defeat of the Nationalists, who had been in power in Danzig for a considerable time, and whose administration had been marked by constant difficulties and disputes with Poland.² The Nationalist Government were succeeded by a Coalition Government drawn from the Catholic Centre, the Liberals, and the Social

¹ The Constitution of the Free City, which came into force in May 1922 (see the *Survey for 1920-3*, pp. 262-80), provided that the functions of a Cabinet should be performed by a Senate of 22 members, eight of whom (including the President) were elected by the legislative body (a Volkstag of 120 members) for a term of four years, during which period they could not be removed from office except for breaches of the law or the Constitution. The other 14 members of the Senate were elected by the Volkstag for an indefinite term, were responsible to it throughout their tenure of office, and resigned on a vote of no confidence. The Volkstag itself was elected for four years and could not be dissolved during that period. An attempt to amend this Constitution which was made during 1928 met with no success—a plebiscite on alternative proposals having failed to produce a sufficient number of votes for either plan—but in 1930 the Volkstag passed a law reducing the number of its own members from 120 to 72, and the number of Senators from 22 to 12, all of whom were to be elected by the Volkstag for an indefinite period, and were to be responsible to it. The Volkstag could also be dissolved before the expiration of the four-year period, by its own decision or by a referendum. These amendments to the Constitution were approved by the League Council in September 1930.

² For an account of some of the more serious of these disputes, see the *Survey for 1925*, vol. ii, *loc. cit.*

Democrats.¹ This Government remained in power for rather more than a year, and the improvement of relations with Poland during that period was attested by a decrease in the number of the disputes which were referred to the High Commissioner or to the League Council. This first phase ended in the autumn of 1926, when the Nationalist Party returned to power as the leading component in another Coalition, and difficulties with Poland became the order of the day once more. The second phase lasted until November 1927, when a swing to the Left took place in the elections for the Volkstag, and the Social Democrats replaced the Nationalists as the strongest party in the Free City. In January 1928 the Social Democrats formed a Coalition Government with the participation of the Centre and the Liberal Parties, and this Government succeeded in coming to an agreement with Poland on a number of questions which had arisen during the preceding régime. The policy of conciliation was pursued with apparent success for some eighteen months, but although the Coalition Government retained office until the autumn of 1930, the second half of their period of office was marked by increasing friction with Poland. At the Volkstag elections in November 1930, as in the elections which had taken place in Germany two months earlier,² the 'Nazis' gained striking successes at the expense of the moderate parties, and political power reverted again to the anti-Polish group. From this time onwards relations between the Free City and Poland became more and more strained.

During the year 1926 the Coalition Government of Danzig were occupied mainly with questions of economics and finance. The Free City had suffered from the general economic crisis which had swept over Central Europe during 1925, causing widespread unemployment in Germany and Poland, and in particular it had felt the effect of the depreciation of the Polish zloty³ and the consequent decrease in the purchasing power of the Polish market.

At the beginning of 1926 the financial position was considered by the League High Commissioner, Dr. van Hamel,⁴ to constitute a

¹ See *op. cit.*, p. 246.

² See the *Survey for 1930*, p. 8.

³ In 1923 Danzig had appealed to the League of Nations for assistance in carrying out monetary reform, and the stability of Danzig's own currency, the gulden, had not been affected by the Polish monetary crisis.

⁴ Dr. van Hamel, a Dutch national, held the post of High Commissioner at Danzig from 1926 to 1929. He was succeeded by an Italian, Count Gravina, whose three years' mandate was renewed on its expiration by the unanimous decision of the League Council. Count Gravina, however, died at the beginning of his second term, in September 1932. Monsieur Rosting, a Danish national, was then appointed Acting Commissioner, but it was not until October 1933 that the post was filled permanently by the appointment of Mr. Sean Lester (Irish Free State).

serious danger to the Free City, and in July 1926 it came under the consideration of the Financial Committee of the League of Nations. The Financial Committee recommended certain measures for the restoration of budgetary equilibrium, which must precede the issue of a loan for the purpose of rehabilitating the Free City's finances. These measures included a reduction in the number of officials¹ and in salary rates and grants for relief of the unemployed, the introduction of a tobacco monopoly, and a modification of existing arrangements for the division of customs receipts between Poland and the Free City. The last two points in this programme involved negotiations with Poland. On the 20th September, 1926, an agreement on the division of custom receipts was signed, but the question of the organization of a company to exploit the tobacco monopoly had not been settled when difficulties in regard to the internal changes, on which the Financial Committee of the League insisted, brought about the fall of the Danzig Government. In the new Government which was formed in the middle of October the Nationalists were predominant, and although they succeeded in obtaining from the Volkstag full powers to carry out the required financial reforms, their return to power introduced additional complications into the negotiations with Poland. They reopened certain questions in connexion with the customs agreement of the 20th September, and they also put difficulties in the way of Polish participation in the consortium which was to operate the tobacco monopoly. With the assistance of the League Financial Committee, however, the difficulties which had arisen were smoothed out in the course of negotiations at Geneva during March 1927,² and the Financial Committee was then able to satisfy itself that the conditions which it had laid down had been fulfilled.³ On the 28th June, 1927, a loan for 40,000,000 gulden (£1,900,000), secured on the tobacco monopoly and on the excise on spirits, was issued in London and Amsterdam. The proceeds were to be used to repay the Free City's floating debt; to make payments due to the Reparation Commission, in accordance with the provisions of the Versailles Treaty,⁴ and to the Conference

¹ The reduction in the number of officials was to reach a total of 800 at the end of two years.

² Ratifications of the customs agreement of the 20th September, 1926, were exchanged on the 29th April, 1927.

³ The Financial Committee agreed that in addition to the loan which was to be floated under League auspices, the Danzig Harbour Board should raise independently a loan of 20,000,000 gulden for development works. This loan was issued at the beginning of August 1927. (For the constitution and functions of the Harbour Board, see the *Survey for 1920-3*, *loc. cit.*)

⁴ By articles 108 and 254 of the Treaty the Reparation Commission had to

of Ambassadors for costs of occupation; and to finance housing construction. Mr. C. E. ter Meulen was appointed by the League of Nations to act as trustee for the bondholders.

During the year 1927, while a Nationalist administration was in power in Danzig, the Council of the League of Nations was again called upon to decide a number of disputes between the Free City and Poland. In an earlier volume¹ some account has been given of the controversy over the selection of a site for a Polish munitions depot which ended with the assignment to Poland of a portion of the peninsula of Westerplatte, of which she took possession in October 1925. On the completion of the necessary works, negotiations were opened between the Free City and Poland regarding a number of technical questions, including the right of admittance of the Danzig authorities to the Westerplatte area, and the control and supervision of the observance of safety regulations. These negotiations failed to produce agreement, and both Danzig and Poland raised objections to regulations which were issued by the League High Commissioner in April 1927. The matter was then referred to the League Council, which discussed it during its forty-fifth session in June 1927. The main contention of the Danzig representative (Herr Sahn, the President of the Senate) was that the munitions depot was dangerously near to the city. The Council postponed the question for further examination, and, before it came up again at the September session, the Danzig Senate had taken the further step of requesting the Council to cancel its decision of the 14th March, 1924, by which the Westerplatte area had been assigned to Poland as a munitions depot. The Danzigers contended that it was no longer necessary for the Poles to have a depot for munitions within the territory of the Free City, since they could arrange in future for the transport of munitions through their own port of Gdynia.² The Council, after taking legal advice, decided on the 16th September, 1927, that no action could be taken in the matter, since the assignment of a munitions depot to Poland was in accordance with the terms of the Polish-Danzig treaty of 1921, and any modification of the stipulations of that treaty was impossible without the consent of both contracting parties. The technical questions concerning the utilization of the Westerplatte which had come before the Council at its preceding session were again adjourned in September for the examination of certain legal points. determine 'the proportion and nature of the financial liabilities of Germany and of Prussia to be borne by the Free City of Danzig'. In 1927 these liabilities were finally assessed at £360,000.

¹ The *Survey for 1925*, vol. ii, Part II D, section (ii).

² For the development of the port of Gdynia see p. 381 below.

The Council had also to consider two other questions concerning Danzig during its session in September 1927: the first relating to the jurisdiction of the Danzig Courts in actions brought by Danzig railway officials; and the second to the use of the port by Polish warships. The administration of the Danzig railways was in Polish hands and gave rise to considerable friction.¹ The question now at issue was whether the Danzig Courts were competent to hear pecuniary claims brought by Danzig railway officials against the Polish administration, when such claims were based upon an agreement of the 22nd October, 1921, which had regulated the position of Danzig officials. The Polish Government had maintained that the Danzig Courts were not competent in such cases, and the High Commissioner, in a decision of the 8th April, 1927, had upheld the Polish contention; but the Danzig Government had appealed to the Council against this ruling. The Council decided, with the consent of the representatives of Danzig and Poland, to ask the Permanent Court of International Justice for an advisory opinion on the question whether the High Commissioner's opinion of the 8th April, 1927, was well founded in law. The Permanent Court, in an opinion delivered on the 3rd March, 1928, answered this question in the negative, and thus decided the dispute in favour of Danzig.

The other question which came before the Council in September 1927 was more important and less easy to settle. On the 8th October, 1921, a provisional agreement had been concluded between Danzig and Poland, whereby Polish warships had free access to the harbour of Danzig and were not obliged to comply with the regulations which were in force for the naval units of other Powers. On the 2nd August, 1927, the Senate of the Free City informed the Council that it had given notice to terminate this agreement—again on the ground that the necessary facilities were now available at Gdynia, which port was said to be 'so far complete that Polish warships could use it for shelter in all weathers and more especially in winter'. The Senate asked the Council to examine the question anew and to give a definite decision upon it. The Council, at the suggestion of Poland, adjourned its examination of this question until its next session in December 1927. By that time the situation as between Danzig and Poland had been altered once more by the return to power in the Free City of the parties which were in favour of a *rapprochement* with Poland. At the December session of the Council, the representatives of Danzig

¹ For instance, much resentment was aroused in Danzig by a Polish order, which was issued in December 1926, to the effect that Danzig railway officials must be able to show a knowledge of Polish within a given time.

and Poland were recommended to seek a practical settlement by negotiation of their differences over the *port d'attache* and over the utilization of the Westerplatte, and in February 1928 negotiations began on these questions and on the question of unification of railway rates. On the 4th August, 1928, three agreements between Danzig and Poland were signed. The Danzig Government withdrew their denunciation of the agreement of 1921 relating to the use of Danzig by Polish warships, and consented to the maintenance in force of that agreement until at least July 1931. In return the Polish Government agreed to the provisional use of the Westerplatte basin by merchant ships (on the understanding that the area would be cleared temporarily when munitions were being handled); and they undertook to ensure that safety regulations were observed in the Westerplatte area and to grant the Danzig police access to the area at all times to verify that due precautions were being taken. The third agreement provided for the abolition of 'broken' railway rates between Poland and Danzig and for the introduction of Polish rates into the Danzig area.

These agreements represented a common-sense attempt to smooth out technical difficulties and to secure a greater measure of co-operation between Danzig and Poland in the working of the port. It was hoped that the economic situation of Danzig, which was again giving rise to anxiety,¹ would be improved by arrangements which extended the space available for shipping and cheapened passenger fares and freight rates.² It was largely because these hopes proved vain that the Nationalist parties gradually regained strength in Danzig until, in the autumn of 1930, they were able to return to power once more.

The *rapprochement*, however, was marked while it lasted. The highest point was reached at the end of February 1929, when Monsieur Bartel, the Polish Prime Minister, paid an official visit to Danzig. The speeches exchanged on this occasion between Monsieur Bartel and Herr Sahm, the President of the Danzig Senate, testified to the reality of the *détente*. It was the first time that a Polish Prime

¹ One symptom of this anxiety was the interest which the Danzig Government manifested in the negotiations for a commercial agreement between Germany and Poland, which had been proceeding intermittently since 1925, and which entered on a more active phase towards the end of 1928 (see section (ii) (c) of this part of the present volume). The Danzigers were concerned lest their industry should suffer from German competition if a trade treaty were concluded; but repeated attempts to induce Poland to permit a Danzig representative to take part in the discussions met with no success.

² It was estimated that Danzig freight rates were reduced by one-third as a result of the unification of railway tariffs.

Minister had visited the Free City, and the Danzigers welcomed Monsieur Bartel's visit as the first voluntary indication on the part of the Polish Government that they recognized the independent status of Danzig.¹ The absence of questions relating to Danzig from the agenda of the League Council throughout the year 1929 also bore witness to the improvement in relations between the Free City and Poland. In view of frequent complaints which had been made by Poland in the past on the subject of German Nationalist demonstrations at Danzig, it was also significant that the Danzig Senate should have prohibited a meeting of the *Stahlhelm* which had been arranged to take place in the territory of the Free City at the beginning of May 1929. By that time, however, the parties which were in favour of a *rapprochement* with Poland were beginning to lose their influence, and a minor incident at the end of June—when a Polish note of protest against a manifestation which had taken place on the tenth anniversary of the signing of the Treaty of Versailles was resented in Danzig as an unwarranted intervention in the Free City's internal affairs—proved to be the prelude to another series of disputes and differences which continued until the tension had reached a point at which it was recognized to be an international danger.

The policy of conciliation and *rapprochement* was not definitely abandoned so long as the Government which had been formed in the Free City at the beginning of 1928 remained in office; but during the summer of 1930 the Government's hands were weakened by a prolonged political crisis, which was largely due to the failure of the policy of conciliation towards Poland to produce the results for which its supporters had hoped. The political parties of the extreme right gained ground in Danzig *pari passu* with the progress of Herr Hitler's 'Nazis' in Germany;² and in elections for the Volkstag which were held on the 16th November, 1930, the most striking successes were gained by the Nazis, who obtained 12 seats out of 72, compared with 1 out of 120 in the previous election

¹ The Danzigers occasionally laid claim to a greater degree of independence than was justified by the terms of the Treaty of Versailles and the Convention of Paris of the 9th November, 1920. In 1929, for instance, they applied for admission to membership of the International Labour Organization. The Governing Body of that organization asked the Permanent Court of International Justice to give an advisory opinion on the question whether Danzig's special legal status was such as to enable the Free City to become a member. On the 26th August, 1930, the Court ruled that in the absence of an agreement between Danzig and Poland which would ensure that no objection would be raised by Poland to any action of the Free City as a member of the I.L.O., it would not be possible for the Free City to participate in the work of the I.L.O.

² See the *Survey for 1930*, p. 8.

of 1927.¹ The Coalition Government which was formed in January 1931 did not include any Nazi members, but it was dependent upon Nazi support for a majority in the Volkstag, and thereafter Danzig became one of the recognized strongholds of Hitlerism. Since the restoration of Danzig to the Reich was one of the points in Herr Hitler's programme, it was natural that relations between the Free City and Poland should have become more and more strained as the influence of the Nazis increased. The Nationalist *Stahlhelm* were also particularly active in the Free City at this time, and the specifically anti-Polish character of some of their demonstrations was strongly resented in Poland. 'The animosity and antipathy of a large body of the population'² of Danzig towards the Poles was attested during this period both by such demonstrations and by a marked increase in the number of occasions on which Danzigers and Poles came to blows. Frequent complaints from the Polish side of discrimination against, or ill treatment of, Polish nationals culminated in April 1931 in the resignation of the Polish Commissioner-General in the Free City—an incident which caused the League High Commissioner to submit a special report to the League Council on the situation. Thereafter the tension relaxed to some extent for a few months; but new difficulties soon made themselves felt, and questions relating to Danzig reappeared with significant regularity on the agenda of the League Council during the years 1931 and 1932. During the spring and early summer of 1932 there were rumours that Poland contemplated cutting the knot by seizing Danzig, as she had seized Vilna in 1920, and by counter-rumours that a Nazi *coup* was in preparation. By the autumn of 1932, however there were signs that a rather more conciliatory spirit was making itself felt, and certain outstanding differences were disposed of by agreement between the two parties.

¹ The number of members of the Volkstag had been reduced in the revised Constitution which was approved by the League Council in September 1930 (see footnote 1 on p. 372 above). In the 1930 elections the Communists also gained at the expense of the moderate parties. They obtained 7 seats, which represented a considerably higher proportion of the total than the 8 seats which they had won in 1927. The Communists, generally speaking, followed the policy of 'sitting on the fence', and they were disliked and feared by the Social Democrats, whose position in the Volkstag after the 1930 elections would have been less weak if they could have counted on Communist support against the parties of the Right. In this connexion, it may be noted that the staff of the Soviet Consulate at Danzig appeared to be considerably larger than was justified by the commercial interests of the U.S.S.R. in the Free City.

² Quoted from the special report of the High Commissioner, dated the 25th April, 1931 (*League of Nations Official Journal*, July 1931).

In Poland there was a tendency to attribute the strained relations with the Free City during the years 1930-2 to the activities of the Nazis in disseminating anti-Polish propaganda—the implication being that if the Nazis could be suppressed difficulties would disappear.¹ It was in accordance with the natural swing of the political pendulum that the Government which took office in Danzig in January 1928 should have been succeeded, in due course, by an administration more to the Right, and less inclined than its predecessors to pursue a conciliatory policy towards Poland; but neither in the Free City nor in Germany could the startling progress made by the Nazis in 1930 be explained in purely political terms. In Danzig, as in the Reich, it was economic distress which filled the Nazi ranks, and in Danzig recruits came forward all the more readily because public opinion, rightly or wrongly, was practically unanimous in attributing the economic distress from which the city was suffering to the action of Poland. It was the steady deterioration in Danzig's economic situation² which was mainly responsible for the

¹ In the spring of 1932, after the ban on the wearing of uniform had been imposed on the Nazis in Germany (but not in the Free City), the Polish Government approached the High Commissioner on the subject of the disbanding of Nazi detachments in Danzig. The Poles advocated this course on the ground that the Nazi organizations were a danger to Polish citizens in the Free City. The High Commissioner, however, held that the League of Nations, whose representative he was, could not intervene in the internal affairs of Danzig unless public security was affected or the Statute of Danzig was infringed, and he did not consider that the activities of the Nazis were of a nature to require intervention.

² There was a deficit on the budget for 1929 amounting to 5,000,000 gulden, and at the beginning of 1930 it was estimated that the deficit on the 1930-1 budget would be between 9 and 10,000,000 gulden and that on the 1931-2 budget about 9,000,000 gulden. The problem of unemployment gave rise to great anxiety, not least from the point of view of the maintenance of public security. In this connexion the Danzigers felt that they had a grievance because the number of Polish nationals who were in employment in Danzig exceeded the number of Danzigers who were unemployed (in February 1930 the numbers were said to be 25,000 Polish workmen employed, compared with 15,000 Danzig unemployed). Early in 1930 negotiations took place on the question of restricting Polish immigration into Danzig, and provisional agreement was reached on certain points, though no definitive arrangement was concluded. A further series of negotiations on the same question took place in the late summer of 1931, with the object of improving the position in regard to unemployment in Danzig before the winter.

The economic situation of Danzig naturally became more serious as the general economic crisis developed. The abandonment of the gold standard by Great Britain in September 1931 was a matter of special concern to Danzig, since the currency of the Free City was linked to sterling. The news of the British Government's decision was followed by a serious drain on the banks, which caused the Senate to decide that the connexion with sterling should be abandoned and the gulden based on gold as from the 21st September, 1932. This measure fulfilled its immediate object, but the repercussions of the

abandonment of the attempts at *rapprochement* which had been made during the years 1928-9. As the High Commissioner told the Council of the League of Nations in April 1931,¹ Polish policy had 'not succeeded in securing to a sufficient extent the support of those currents of opinion in the territory of the Free City which were definitely in favour of effective economic co-operation between Danzig and Poland'. The High Commissioner had 'personally had opportunities of observing that a regrettable change had taken place in this respect among influential representatives of financial and industrial circles in the Free City, and this change' was 'attributed by them not so much to the general economic depression as to disillusionment in consequence of the failure of their efforts to establish a form of co-operation between Danzig and Poland which would be advantageous, not only to Poland, but also to Danzig'.

The principal factor in the situation was the rapid growth of the Polish port of Gdynia, situated a few miles to the west of the territory of the Free City, on the strip of coast which was under Polish sovereignty. In 1919, Gdynia had been a fishing village with a few hundred inhabitants. Ten years later it had a population of 25,000, and the town was laid out on a scale which would ultimately accommodate 100,000 persons. By the middle of 1929 the traffic through the port already amounted to about a quarter of that which passed through Danzig, and the capacity of the port was increasing every month. In these circumstances it was comprehensible that Danzig should have attributed her own economic troubles to the competition of the new port. The Poles argued that the volume of their trade was sufficient to keep both the ports of Danzig and Gdynia fully employed, and they pointed to the fact that the development of Gdynia had not been accompanied by any marked decrease in the volume of traffic through Danzig. On the contrary, up to the end of the year 1928 there had been a steady increase, which had brought the Free City to the position of the third most important port in the Baltic, inferior only to Copenhagen and Stockholm; and although the total traffic through Danzig declined thereafter, the decrease was not in proportion to the increase in the traffic through Gdynia.² The

British financial crisis continued to give rise to much anxiety in commercial and financial circles in Danzig.

¹ See below, pp. 387-8.

² The total traffic through Danzig in 1913 had amounted to 2,112,101 tons. That figure was passed for the first time in 1924, when the total traffic amounted to 2,374,557 tons. In that year the traffic through Gdynia was only 10,167 tons; but in the year 1928, when the Danzig traffic reached its highest point at 8,615 682 tons the traffic through Gdynia already amounted to 1,957,799

Danzigers, in reply to the Polish arguments, maintained that the figures of total traffic were an inadequate indication of the prosperity of the port, which depended principally on the nature of the traffic. They pointed out that the activities of Danzig as a trading centre had been greatly curtailed, and that the transit trade on Polish account with which they were now principally concerned was relatively unprofitable. The greater part of the traffic through Danzig consisted of commodities such as coal and iron, which were handled in bulk, whereas the more profitable kinds of goods traffic and the passenger traffic were deliberately diverted from Danzig to Gdynia by various means.

The controversy was embittered by national sentiment on both sides. The Danzigers resented the existence of Gdynia not only because they feared its competition, but also because they felt that Poland, in thus creating for herself an alternative outlet on the sea, had modified fundamentally the conditions which had obtained at the time of the Peace Settlement and which had led to the severance of Danzig from Germany. It has been seen that in 1927, before the economic competition of Gdynia had become a serious menace, the Nationalist Government then in power in Danzig were already attempting to make the creation of Gdynia an excuse for the withdrawal of certain privileges which Poland enjoyed at Danzig. The rapid development of the rival port from 1928 onwards naturally stimulated the resentment against the terms of the Peace Settlement which was always latent in Danzig and provided a telling argument in favour of the severance of the special ties which bound the Free City to Poland. To the Poles, on the other hand, Gdynia came to stand more and more as a symbol of the Polish national spirit, an outward and visible sign of the inward and spiritual grace which had achieved the translation into reality of the visions of restored greatness that had sustained the Polish nation during its time of adversity. The nation which conceived and carried through, in the space of a few years and in spite of formidable difficulties,¹ the project of trans-

tons. The figures for the two ports for the years, 1929, 1930, 1931, and for the first six months of 1932 were as follows:

	<i>Danzig</i>	<i>Gdynia</i>
1929	8,559,651	2,822,402
1930	8,213,094	3,625,748
1931	8,330,505	5,300,114
1932 (six months)	2,507,340	2,179,998

¹ The construction of Gdynia, and of the railways connecting it with the hinterland, was financed in part by foreign loans, and was carried out with the help of foreign engineers; but, as the following figures indicate, the Polish

forming a fishing village into a first-class port was indeed giving to the world at large an impressive proof that its faith in its great future was no less deeply rooted than its pride in its historic past. The enthusiasm of the Poles for Gdynia did not incline them, however, to look favourably upon the possibility of divesting themselves of their responsibilities towards Danzig. Apart from the fact that there appeared to be some basis for the argument that Poland's foreign trade had assumed proportions which were beyond the capacity of either Danzig or Gdynia to deal with singly,¹ any proposal for the severance of the special relations between Danzig and Poland raised the difficulty of the sacrosanctity of the Peace Settlement as a whole. Any modification of the status of Danzig would at once open the whole question of the revision of the German-Polish frontier—a matter on which Polish official opinion was strongly opposed to the smallest concession or attempt at compromise.²

The rivalry between Danzig and Gdynia lay at the root of most of the difficulties between the Free City and Poland which came before the High Commissioner or the Council of the League of Nations during the years 1930-2. These disputes often appeared to be trivial in substance, but they were difficult to settle, if only because they generally involved complicated questions of legal interpretation which necessitated recourse to legal experts or to the Permanent Court of International Justice. The principal disputes which came before the Council of the League during this period had to do with the utilization by Poland of the port of Danzig; with the treatment

Government were less dependent than they were generally believed to be upon the financial support of France and other countries.

Foreign Capital invested in Poland in January 1931

	zlotys
France	276,100,000
Germany	139,000,000
U.S.A.	46,700,000
Belgium	29,100,000
Great Britain	27,800,000
Austria	12,400,000
Czechoslovakia	9,300,000
Other countries	8,800,000
Total	549,200,000

(about £12,700,000 at par)

It may also be noted that of the public debt of Poland on the 1st January, 1931, which amounted to 4,414,000,000 zlotys, 66·8 per cent. was due to the United States and only 8·9 per cent. to France.

¹ See the figures quoted in footnote 2 on p. 381 above, which show that during the years 1929 to 1931, when the world economic crisis was growing in intensity, the volume of traffic through the two ports was steadily increasing.

² See sub-section (a) of the preceding section.

of Polish nationals in Danzig ; with the question of a *port d'attache* for Polish warships ; with the imposition by Poland of restrictions on the export of certain goods from Danzig into Poland, and with questions arising in connexion with the Danzig railway service.

In the dispute over the utilization of the port of Danzig by Poland, the Free City was making a frontal attack upon Gdynia. On the 9th May, 1930, the Danzig Senate appealed to the High Commissioner on the question of competition between the two ports. They referred to a decision of a previous High Commissioner, dated the 15th August, 1921, which had laid down that the Polish Government would 'engage to make full use of the port of Danzig, whatever other ports she' might 'open in the future on the Baltic Coast' ; and they asked the then High Commissioner, Count Gravina, to give a decision to the effect that the Polish Government was under obligation—

1. To take all necessary measures, more particularly in respect of railway tariffs, to ensure that the portion of the goods and passenger traffic to and from Poland which does not pass the land frontier and of the transit traffic through Poland is trans-shipped in the harbour of Danzig.

2. To make every effort to develop and improve the harbour of Danzig and the railway and inland waterway routes of access thereto, so that they can meet all requirements of the traffic referred to in (1).

3. To refrain from all measures in respect of other harbours whereby goods and passengers traffic would be diverted from Danzig. . . .

The Poles greatly resented this attempt on the part of the Free City to secure the monopoly of Polish traffic, and in a counter-memorandum to the High Commissioner they protested that Danzig was demanding, in fact, the suspension of Poland's economic activities. The High Commissioner decided to take legal advice on the questions raised, and a committee of jurists held two sessions in Geneva in January and February 1931 to examine the matter. On the basis of the jurists' opinion, the High Commissioner gave a decision on the 26th October, 1931, to the effect that Poland was obliged to make full use of the port of Danzig, but that this obligation did not affect the right of Poland to open other ports on the Baltic coast. It was not compatible with Poland's obligations that other ports should be encouraged by preferential measures to the detriment of Danzig, but neither was it compatible with Poland's right to open other ports that Danzig should demand a monopoly of all Polish sea-borne traffic. This decision did not satisfy either the Free City or Poland, and both appealed to the League Council against it. The Council, in January 1932, referred the question back to the jurists for further considera-

tion, and the jurists, in the following April, submitted another report, which elucidated certain points of detail. While upholding in general the High Commissioner's decision of the 26th October, 1931, the jurists left open the question on which the practical application of the decision turned, namely, whether Poland was in fact making full use of the port of Danzig in conformity with the decision of the 15th August, 1921. On the 10th May, 1932, the Council adopted the jurists' report, and asked the High Commissioner to collect further information in order that a definitive decision might be taken on the question whether Poland did or did not make full use of the port of Danzig in accordance with her obligations.¹ Another committee of experts, which had been appointed to advise the High Commissioner on this matter, met in Geneva in July and completed its task on the 14th September. The committee's report had not yet been made public when, at the turn of the years 1932 and 1933, the Polish Government were reported to have signified that they were willing to enter into direct negotiations with Danzig in regard to the competition between the Free City and Gdynia.²

This reported Polish offer appeared to justify the hope—which had no doubt been largely responsible for the delay of the League Council and the High Commissioner in coming to a decision in regard to this fundamental difference between Danzig and Poland—that the disputants, if given sufficient time, would themselves provide the only satisfactory settlement by concluding an arrangement for the equitable division of traffic between the two ports. So long as the dispute over the utilization of the port remained unsettled, however, the strained relations which were both the cause and the effect of the dispute continued unabated. One of the most serious symptoms of this tension was the increase in the number of incidents between Danzigers and Poles and of cases of alleged discrimination against Polish nationals in the Free City. During the first nine months of 1930 there were frequent complaints that Poles in Danzig were not receiving the treatment, especially in educational matters, to which they were entitled. In this connexion there was a long-standing difference of opinion between the Free City and Poland as to the exact nature of the rights enjoyed by Polish nationals in Danzig. While the Poles claimed that they were entitled to equal treatment with Danzigers, the Danzigers maintained that they were only bound

¹ In the month of May 1932 the total traffic through Gdynia exceeded, for the first time, the total traffic through Danzig.

² No steps to initiate negotiations appear to have been taken before relations between Danzig and Poland became seriously strained once more as a sequel to the advent of Herr Hitler to power in Germany at the end of January 1933.

to grant Poles most-favoured nation treatment.¹ On the 30th September, 1930, the Polish Commissioner-General in Danzig, Monsieur Strasburger, appealed to the League High Commissioner for a decision on a number of questions concerning the status of Polish nationals in Danzig.² On the 31st March, 1931, the High Commissioner drew the attention of the League Council to the desirability of obtaining from the Permanent Court of International Justice an advisory opinion on the legal points in regard to the treatment of Polish nationals on which the two Governments differed, which had been brought to his notice by Monsieur Strasburger's communication of the 30th September. On the 22nd May the Council adopted the High Commissioner's suggestion and asked the Permanent Court to interpret the relative treaty provisions. The Court did not give its decision on the questions referred to it until the 4th February, 1932, when it upheld the thesis of Danzig. Its opinion was that Polish nationals in Danzig were not entitled to equal treatment with Danzigers, but that their treatment must be in conformity with that laid down in the Polish minorities treaty for application to minorities in Poland. On the other hand, the Free City must abstain from any discrimination against Polish nationals as such.³

In the meantime, before the legal aspect of the matter had been referred to the Permanent Court, the friction between Danzigers and Poles in the Free City had resulted, in April 1931, in a crisis which had led the Polish Commissioner-General in Danzig to offer his resignation,

¹ By Article 33 of the Polish-Danzig Convention of Paris of the 9th November, 1920 (see the *Survey for 1920-3*, pp. 261-7), the Free City undertook to apply to minorities provisions similar to those contained in the Polish Minorities Treaty of the 28th June, 1919, and, in particular, to provide against 'any discrimination, in legislation or in the conduct of the administration, to the detriment of nationals of Poland and other persons of Polish origin or speech'. The failure of Danzig and Poland to agree on the interpretation of this article was recorded in two subsequent agreements, of the 24th October, 1921, and the 1st September, 1923, in which certain detailed questions arising were settled provisionally, without prejudice to the legal standpoints of the two parties, and it was expressly provided that, should occasion arise, either party would be entitled to call for a final decision on the points at issue.

² The questions included educational facilities, the use of the Polish language in offices and public buildings, and the rights of settlement and acquisition of Danzig nationality.

³ By an agreement with Danzig of the 26th November, 1932 (see below, pp. 393-4), Poland accepted the Court's ruling, and it was arranged that negotiations should take place on outstanding questions concerning the status of Polish nationals. In the middle of December the Polish Commissioner presented the Danzig Senate with a list of the questions which Poland desired to discuss, and at the end of the month the Government at Warsaw were reported to have prepared a draft agreement to serve as a basis for immediate negotiations.

and the High Commissioner to lay the whole situation before the League of Nations. During the early months of 1931 political disturbances were of constant occurrence in Danzig, and Monsieur Strasburger found frequent occasion to complain to the High Commissioner of attacks upon Polish nationals. The Danzig Government, for their part, maintained that the examination of such incidents by the competent authorities proved that the Poles were generally the aggressors. The immediate cause of Monsieur Strasburger's resignation was a misunderstanding over the retrial of a Danzig national named Gengerski who was accused of murdering a Polish railway official in January 1931, and who had been acquitted by the Danzig Court of Assize on the 12th March. On the 10th April, at an interview between Monsieur Strasburger and Dr. Ziehm, the President of the Danzig Senate¹ (i.e. head of the Government), which had been arranged by the High Commissioner in order that the already serious situation might be discussed, Dr. Ziehm had given an assurance that the Public Prosecutor had applied for the verdict against Gengerski to be reviewed. Monsieur Strasburger had received this assurance with satisfaction, and when he subsequently learnt, through the medium of the press, that the Public Prosecutor's application had already been withdrawn at the time of his interview with Dr. Ziehm, he offered his resignation, on the ground that he had tried by every means within his power to secure more effective protection for Polish nationals in Danzig territory, without success, and that he could no longer trust the official assurances of the President of the Senate. The Danzig Government explained that Dr. Ziehm had not been guilty of bad faith, since he had not been informed by the Public Prosecutor of his withdrawal of the application for review of the verdict; the Public Prosecutor resigned his office; and Monsieur Strasburger was persuaded by the Polish Foreign Minister, Monsieur Zaleski, to withdraw his resignation.² The situation was also somewhat eased by the action of the Danzig Senate in prohibiting

¹ Dr. Salm, who had occupied this post since 1920, had incurred the opposition of the Right Parties, especially after the prohibition of the *Stahlhelm* rally in May 1929 (see p. 378 above), and in January 1931 his place had been taken by Dr. Ziehm, a leader of the German Nationalists. Although Dr. Salm's political sympathies were also more with the Right than with the Left, he had not allowed his personal views to colour the policy of the Government when the more moderate parties were in power, and he was generally recognized to have carried out his difficult task with marked ability. On his retirement he became Chief Burgomaster of Berlin.

² Monsieur Strasburger remained in office until February 1932, when he again offered his resignation, which was accepted. He was succeeded by Monsieur Pappee, the Polish Consul-General at Königsberg.

processions and open-air meetings and warning the population of the Free City that breaches of the peace would be 'proceeded against with all the resources of the state'.¹ Nevertheless, the High Commissioner considered that 'the present strained state of relations [between Danzig and Poland] and the agitation which has been produced both in Polish and Danzig circles' might 'lead at any moment to further regrettable incidents'; and he therefore drew up a full report² upon the situation which he forwarded to the League Secretariat on the 25th April, 1931.

The Council considered this report on the 22nd May, during its sixty-third session. The British representative, Mr. Henderson, who acted as *rapporteur*, drew special attention to the effect upon Danzig-Polish relations of Nationalist demonstrations within the territory of the Free City, and the Council, in the report which it adopted, expressed its disapproval 'of all demonstrations or acts directed against the Statute of the Free City'. It also made a 'pressing appeal to the parties to take such action as may be required in order to re-establish a spirit of confidence and co-operation in the relations between Danzig and Poland and to calm public opinion in both countries'.³

This appeal was followed by a certain relaxation of tension during the summer months of 1931, but this improvement was offset by the

¹ In a resolution of the 22nd June, 1921, the League Council had expressed the opinion that the Polish Government were 'specially fitted to ensure . . . the maintenance of order in the territory of the Free City in the event of the local police forces proving insufficient', and had authorized the High Commissioner to make proposals for securing Polish assistance if he should think fit. The Polish Government were reported to have offered to send troops to the Free City during April 1931; but the High Commissioner did not consider it necessary or desirable to take advantage of the possibility indicated in the Council resolution of June 1921, since in his opinion the police authorities of the Free City were competent to keep order.

² Text in *League of Nations Official Journal*, July 1931.

³ The Council, at an earlier meeting of its sixty-third session, had expressed its confidence in Count Gravina, the High Commissioner, by inviting him to accept a renewal of his term of office for a further period of three years. It now asked him to submit a further report on the position in Danzig in time for its next session. Count Gravina duly complied with this request on the 15th August, 1931. He reported that special measures which had been taken by the Senate on his instigation had improved the general situation in regard to public security, and that such incidents as had occurred between Danzigers and Poles had had no serious consequences. He mentioned certain problems which continued to cause anxiety in connexion with the Free City's economic situation—particularly the question of unemployment—and he drew attention to the continuance of anti-Polish demonstrations. In a supplementary report, dated the 20th August, he dealt with the question of the *port d'attache*. The text of these two reports was printed in the minutes of the Council meeting (*League of Nations Official Journal*, December 1931).

revival of the dispute over the use of Danzig as a *port d'attache* for Polish warships. By the arrangement which had been concluded on this question in August 1928¹ the Free City had consented to an extension until the 1st July, 1931, of the provisional agreement of the 8th October, 1921, under which Polish warships enjoyed special facilities at Danzig. In April 1931, the Danzig Senate had again denounced this agreement, but in order to facilitate negotiations they had subsequently offered to maintain the provisions of the 1921 agreement in force until the 15th August, 1931. The negotiations having failed, the Senate had again extended the time limit to the 15th September, 1931, but they had notified the Polish Government and the High Commissioner that, if no agreement had been reached by that date, they would consider 'any use of the Port of Danzig by Polish warships which was not in strict conformity with the international regulations in force for the admission of foreign men-of-war as "direct action" within the meaning of the Council resolution of the 13th March, 1925.'²

The dispute over access to and anchorage in the Port of Danzig for Polish war vessels turned on the interpretation of treaties and decisions of the High Commissioner and the League Council. The Poles maintained and the Danzigers denied that the treaties and decisions in question gave Poland the right to claim special facilities for her warships at Danzig. Since the parties were not in agreement on the legal aspect, the League Council, to whom the High Commissioner had referred the dispute, dealt with the matter on the 19th September, 1931, by referring it to the Permanent Court for an advisory opinion, and requesting the High Commissioner to draw up provisional regulations for use pending the final decision. The opinion of the Court, which was given on the 11th December, 1931, was again in favour of Danzig. By eleven votes to three the Court held that the relevant treaties and the decisions of the League Council and High Commissioner did not 'confer upon Poland rights or attributions as regards the access to or anchorage in the port and waterways of Danzig of Polish war vessels'. Thereupon the Polish Government asked the League Council to give a decision which would confer upon Poland the rights which she had been proved not to possess under existing conditions. The Danzig Government, for their part, declared that they were ready to grant Poland certain special

¹ See p. 377 above.

² On that date the Council had adopted a report by Señor Quiñones de León in which 'direct action' was defined as 'an action . . . which might endanger or prove a serious obstacle to the maintenance of public security in Danzig or which might jeopardize good relations between Danzig and Poland'.

facilities for her warships in addition to the facilities which by international usage were accorded to warships of any nationality at Danzig, as at other ports. They offered to maintain the provisional regulations which had been issued by the High Commissioner (in accordance with the Council's decision of the 19th September, 1931) in force until the 1st April, 1932, in order to allow of negotiations with Poland in regard to special facilities.

The League Council, accordingly, recommended the two Governments in January 1932 to seek a direct settlement of the practical questions at issue. The negotiations, however, did not result in agreement within the time limit fixed by Danzig (which was extended until the 1st May, 1932), and while the Poles considered that the provisional regulations were still in force after that date, the Free City maintained that they had lapsed, and that Polish warships, like other foreign vessels, were not entitled to enter the harbour without having obtained the prior consent of the Senate. This state of affairs gave rise to an incident in June 1932, when a Polish destroyer insisted upon entering the harbour, in spite of the protests of Danzig, as an act of courtesy to a British destroyer flotilla which was visiting the port. Polish resentment against the attitude of Danzig on this occasion was increased by the reception which was given to a German cruiser and two destroyers which visited the port a few days later—according to the Poles, on the invitation of the Free City¹—in spite of representations which had been made by the Polish Government to the German Government to the effect that the time was not propitious for such a visit. In the following August this dispute over the *port d'attache* was settled by agreement. On the 12th August a protocol² was signed whereby Polish naval units were granted certain privileges in addition to those provided by international custom. It was agreed that for a period of three years there should be no restriction either on the number of Polish units entering the port simultaneously or on their length of stay, on condition that due notice was given to the Chief Pilot—an official of the joint Danzig-Polish Harbour Board.

The dispute over customs which came to a head during the year 1932 arose out of certain privileges which Danzig enjoyed, under her treaties with Poland, in regard to the importation from Germany of goods which were to be 'finished' in Danzig. The Polish contention

¹ The Danzig Senate denied that they had formally invited the German warships.

² The text of the protocol is printed in *League of Nations Official Journal*, January 1933, pp. 142-5.

was that the Free City abused this privilege in order to introduce into Poland, duty-free,¹ large contingents of German goods on which a high rate of duty would have had to be paid if they had come direct into Poland from Germany. On the 15th September, 1931, the Polish Government protested to the High Commissioner against the loss to the Polish Exchequer which was caused by these alleged abuses in connexion with the 'passive finishing trade'. On the 30th October, before a reply had been received from the High Commissioner, the Polish Minister of Finance instructed the Danzig customs administration to put an end to this trade within a specified time-limit. The customs authorities of the Free City (who were directly responsible to the Danzig Senate and not to the Polish Minister of Finance) did not comply with these instructions, and on the 9th January, 1932, the Polish Finance Minister issued an order establishing a system of supervision in order to prevent goods of certain specified classes from entering Poland. On the 29th January the Danzig Senate asked the High Commissioner to give a decision that this Polish measure constituted 'direct action' within the meaning of the League Council's resolution of the 13th March, 1925.² On the 29th March the High Commissioner, having failed to secure the approval of Poland for a compromise which he had suggested, gave a provisional decision in the sense desired by Danzig. The Polish Government appealed against this decision, after they had issued, on the 21st April, 1932, a law imposing financial penalties for the infringement of the Polish regulations relating to the passive finishing trade. When, however, the case came before the Council of the League during its sixty-seventh session in May 1932, the Polish Government withdrew their appeal against the High Commissioner's decision of the 29th March, 1932,—which had in the meantime been confirmed by a committee of jurists to whom the legal aspect had been referred. The Polish representative at Geneva also agreed that, pending a final settlement, the Financial Penalties Law should not be applied in such a way as to prejudice a solution, and the Council was able to leave the High Commissioner, with the assistance of experts, to settle the detailed questions arising out of the dispute. The Polish Government, which considered that the root of the trouble lay in the independence of the Danzig customs administration, proposed in May that the administration should be placed under Polish control, but this proposal was promptly rejected by the Danzig Senate. In the meantime, a considerable number of Danzig merchants and importers, headed by

¹ By the terms of the Treaty of Versailles, Danzig was included in the Polish customs area.

² See p. 389 above.

certain Jewish firms, had come to the conclusion that the anti-Polish policy involved too great a sacrifice of their own interests, and they had accordingly accepted supervision of their exports to Poland by Polish customs inspectors. Many of the leading commercial houses, however, had refused to accept the system of supervision and had been suffering severely from the ban on the importation of their goods into Poland. During the early summer months, also, a partially successful attempt was made by an unofficial Polish association to organize a boycott of Danzig and of Zoppot—a watering place within the territory of the Free City which was frequented by Poles.¹ As a result of these measures, the number of visitors to Danzig during the summer was considerably below the normal figure, and the resulting loss of income helped to convince the Senate of the desirability of coming to terms with Poland. By protocols signed on the 12th August, 1932 (at the same time as the agreement regarding the *port d'attache*²), both Danzig and Poland undertook to counteract as far as possible all manifestations and activities of an unfriendly nature, and to take 'vigorous action' against 'any economic propaganda' directed by either party against the establishments and products of the other party.

On the 10th November, 1932, negotiations began in Warsaw on questions relating to the 'passive finishing trade', but the discussions were broken off after a week without an agreement having been reached. Conversations then took place at Danzig, under the auspices of the acting High Commissioner, Monsieur Rosting, but these proved equally fruitless, and on the 21st November Monsieur Rosting gave arbitral decisions on three points arising out of the dispute. His decisions made certain concessions to the Polish point of view, but on the whole he upheld the arguments of Danzig. In particular, Poland was required to withdraw immediately the restrictions which she had placed on the import of goods finished in Danzig, and a claim which she had made for damages on account of alleged abuses by the Danzig customs officials was rejected. Both Danzig and Poland appealed to the Council of the League against certain sections of Monsieur Rosting's decisions, but on the 1st February, 1933, the Council upheld two of the decisions and postponed consideration of the third until various points had been examined by legal experts.³

¹ Protests from the Free City regarding this boycott were met by the retort that for a long time past the Nazis had organized a boycott of Poles and Jews in Danzig.

² See p. 390 above. For the text of these protocols see *League of Nations Official Journal*, January 1933, pp. 145-6.

³ The question at issue related to import quotas, and the High Com-

In the meantime, a dispute over railway questions had come to a head and had been settled satisfactorily. It has been mentioned¹ that the administration of the railway services in the Free City gave rise to considerable friction, and points in dispute were constantly being referred for decision to the High Commissioner or to the Council of the League. In May 1932 the League Council confirmed three decisions of the High Commissioner, against which one or both of the parties had appealed, dealing respectively with personnel of Danzig nationality in the Polish railway service, the supervisory authority within the meaning of the Danzig rail transport laws, and the organization of the railways situated in the territory of the Free City. In June the Polish Government were reported to have replied to a demand which the Danzig Senate had made for the withdrawal of the Polish railway administration from Danzig by declaring that they had intended for some time past to transfer the head-quarters of the administration into Polish territory on account of the expense which was involved by the difference between Danzig and Polish currency. This measure—which would not, of course, have met the desire of the Danzigers for the removal of Polish control over the railways—was not actually taken; but on the 25th October the Polish Minister of Transport issued a decree proclaiming that, as from the 1st December, 1932, all railway charges in the territory of the Free City must be paid in Polish currency. This action aroused strong resentment in Danzig, and the High Commissioner referred the question to the League Council as a matter of urgency. The Council dealt with the matter in the last week of November by appointing a small sub-committee to assist the High Commissioner in his efforts to promote an agreement between the parties. The mediators succeeded in attaining their object, and an agreement was signed on the 26th November at Geneva by Dr. Ziehm, for Danzig, and by Monsieur Beck, the new Polish Foreign Minister, for Poland. By this agreement the decree of the 25th October was withdrawn, and it was arranged that negotiations should take place, as soon as circumstances should permit, on the question of the unification of Danzig currency. The agreement also covered certain other matters. Both parties undertook to withdraw the prohibition which they had placed on certain journals. Poland accepted the decision of the

missioner's decision involved the revision of certain articles of the Danzig-Polish Convention of Warsaw of the 24th October, 1921. Other points relating to the terms of that convention, which had been submitted to Monsieur Rosting for decision, had been referred by him to legal experts, and the Council considered that the advice of the experts should also be sought on the question of import quotas.

¹ See p. 376 above.

Permanent Court of International Justice in regard to the status of Polish nationals in Danzig;¹ and she also undertook to contribute towards the cost of the education in Danzig schools of the children of Polish railway employees.

The conclusion of this agreement was warmly welcomed at Geneva, where it was regarded as a sign that a new atmosphere had been created between Danzig and Poland. This temporary improvement, however, was not sufficiently marked to withstand the new strain which was imposed upon relations between Germany and Poland—and therefore upon relations between Danzig and Poland—by political developments in Germany early in 1933. The crisis which arose in March 1933 over the question of the guard stationed at the Polish munitions depot on the Westerplatte will be dealt with in a later volume.

(iv) Relations between Germany and Lithuania over the Memel Territory

In a previous volume of this series,² the history of the town and district of Memel has been carried down to the signature, in May 1924,³ of a convention between the Principal Allied Powers and Lithuania which provided that the Memel territory should 'constitute, under the sovereignty of Lithuania, a unit enjoying legislative, judicial, administrative, and financial autonomy' within certain limits prescribed in a statute annexed to the convention. The city of Memel, which had been detached from Germany by the Peace Treaty, without any exact provision for its future being made, was no less German in character than the city of Danzig;⁴ but, like Danzig, its separation from the Reich was determined on because it was considered to form the only possible port for one of the new states created by the Peace Settlement—in Memel's case the Republic of Lithuania. None the less, the future of Memel remained uncertain for some three years after the coming into force of the Peace Treaty, until Lithuania—inspired by the example set her by Poland at Vilna⁵—took the matter into her own hands in January 1923 and seized the city by

¹ See p. 386 above.

² The *Survey for 1920-3*, Part III, section (ii) (3) (c).

³ The convention was signed by the Principal Allied Powers on the 8th May, 1924, and by Lithuania on the 17th May.

⁴ The strip of territory, running inland from the town of Memel along the river Niemen for about 70 miles, which was separated from East Prussia to form the district of Memel was inhabited mainly by Lithuanian-speaking peasants; but these peasants seem to have been hardly less German in sympathy than the townfolk.

⁵ See the *Survey for 1920-3*, Part III, section (ii) (3) (b).

force. The settlement of May 1924, which was only effected after prolonged and difficult negotiations, disappointed the hopes of the Lithuanian intransigents who had executed the *coup de main* of January 1923, but it could not be said to have deprived Lithuania of the fruits of her high-handed act, since her sovereignty over the town and district of Memel was definitively confirmed. Her free access to a port¹ was thus guaranteed, but at the same time the interests of the inhabitants of Memel were safeguarded by provisions for a large measure of local autonomy.

In the situation which was created by the Convention and Statute of May 1924, a certain amount of friction between the local and central authorities was perhaps inevitable. The arbitrary separation of Memel from Germany had increased rather than diminished the loyalty of the German inhabitants to the Reich, and this loyalty manifested itself both in a determination to preserve the German character of the city's culture and institutions, and in a readiness to suspect Lithuania of encroachments upon the autonomous rights and other privileges which had been conferred by the Memel Convention. On the other hand, the Lithuanians—who possessed their full share of the nationalist spirit which is natural to a new state and which had been stimulated, in their case, by their dispute with Poland and the loss of Vilna—were inclined to resent any restrictions on their sovereignty over their only port, and in this mood they were not likely to neglect such opportunities as might present themselves for strengthening their hold over the Memel territory. Thus there was a strong inherent probability that the application of the Memel Convention and Statute would give rise to difficulties and disputes.

While the position of Memel presented obvious analogies with that of Danzig,² there were also certain important differences. In the first place, Poland did not possess sovereign rights over Danzig, whose independent status as a Free City was guaranteed by the League of Nations; whereas the status of Memel as an autonomous district of Lithuania was guaranteed, not by the League, but by the signatories of the Memel Convention—Great Britain, France, Italy, and Japan.

Moreover, the League of Nations was represented at Danzig by a

¹ Under the terms of the convention, Poland was also to enjoy special facilities in the port of Memel, but these arrangements were virtually nullified by the continuance of the 'state of war' between Lithuania and Poland (see the *Survey for 1920-3*, Part III, section (ii) (3) (b); the *Survey for 1927*, Part II D, section (iv)).

² See the *Survey for 1920-3*, Part III, section (ii) (3) (d); the *Survey for 1925*, vol. ii, Part II D, section (ii); and section (iii) of this part of the present volume.

High Commissioner who resided in the City, but none of the four guaranteeing Powers had a permanent representative at Memel.¹ Thus Memel did not possess the ready access to the organs of the League of Nations of which Danzig made free use for the redress of her grievances. It was this last difference, presumably, which determined the attitude of the German Government towards Memel.² The inhabitants of both Danzig and Memel were sure of the sympathy and the moral support of the Reich in their efforts to preserve the German character of their cities and to maintain them as outposts of German culture, and on the numerous occasions when questions concerning Danzig were debated before the League Council, the representative of the Free City, from the end of 1926 onwards,³ could generally count on the backing of the German member. In the case of Memel, however, the German Government felt it incumbent upon them to protect the interests of their former nationals by more active intervention, and on several occasions they took the initiative in order to secure the ventilation of the grievances of Memel. Thus the Memel question took on the aspect of a dispute between Germany and Lithuania—two states which, in other respects, had more reasons for friendship than for hostility. Their common dislike of Poland was a bond of union between them, and their economic relations were such as to provide a strong motive, on the Lithuanian side at least, for the avoidance of causes of offence.⁴ In this connexion it may be noted that the dispute over Memel did not become acute until Germany had raised her customs duties on cattle and agricultural produce to a degree which crippled Lithuania's export trade.⁵

The troubles of Memel from 1924 onwards arose mainly in the

¹ There was a nominee of one of the League organs permanently stationed at Memel in the person of the neutral chairman of the Harbour Board, who was appointed by the Advisory Committee for Communications and Transit. (See the *Survey for 1920-3*, p. 260.) This official, however, was only concerned with the administration of the port; and Monsieur Kjelstrup, the Norwegian national who was the first occupant of the post, found occasion to complain to the League Advisory Committee, in 1926 and again in 1927, that his task was rendered virtually impossible by the opposition of the other two members of the Board, who represented Memel and Lithuania respectively, and who combined to vote against the chairman on most matters of importance.

² On this point, see footnote (2) on p. 398 below.

³ It was in September 1926 that Germany was finally admitted to membership of the League of Nations with a seat on the Council (see the *Survey for 1926*, Part I A, section (i)).

⁴ Up to and including the year 1930, about 50 per cent. of Lithuania's imports came from Germany, which took also about 50 per cent. of Lithuania's exports. Thus Germany was at the same time Lithuania's best customer and her principal source of supply of coal and manufactured goods.

⁵ See p. 400 below.

political and not in the economic field. It was true that the traffic in timber, which had constituted something like 95 per cent. of the exports through Memel before the War, declined rapidly—partly in consequence of the bad relations between Poland and Lithuania, which practically precluded the floating of Polish timber down the Niemen, and partly because the export trade in Russian timber diminished under the Soviet régime and most of what remained was diverted to Riga and Leningrad. But, in compensation for this loss, Memel developed a considerable import trade, and the saw-mills which had flourished before the War were gradually replaced by factories of various kinds designed to serve the needs of Lithuania. It was true, also, that considerable difficulty was experienced in connexion with the proportion of the Lithuanian revenue which was assigned to Memel;¹ but the friction over financial questions was less serious than that which arose out of the application of the political provisions of the Statute.

By the terms of that instrument, the Governor of the Memel Territory was appointed by the Lithuanian Government, and the Governor, in turn, appointed the President of the Directorate—a body of not more than five members who exercised the executive power in the territory. The President of the Directorate, who appointed the other four members, was entitled to hold office so long as he possessed the confidence of the local legislative body, the Landtag or Seimelis, and the Directorate as a whole was obliged to resign if the Landtag refused it its confidence. Throughout the period under review, the Landtag consisted of 29 members, the overwhelming majority of whom belonged to the German political parties. The method of appointment of the Directorate was intended to ensure that administrative authority should not be entirely in the hands of the Germans, to the possible detriment of Lithuanian interests; but in fact the Governor repeatedly used his powers in attempts to create a Lithuanian majority on the Directorate—attempts which invariably brought him and the Directorate into conflict with the predominantly German Landtag. Time after time a Lithuanian President of the Directorate received a vote of no confidence from the Landtag, and when the Governor tried to cut the knot either by maintaining the Directorate in office, in spite of the Landtag, or by dissolving the Landtag and postponing the

¹ The local authorities at Memel remained responsible for financial charges in connexion with educational, police, and judicial matters, but the revenue from the customs, excise, and postal services of the territory went direct to the Lithuanian Exchequer.

elections, he laid himself open to the charge of having infringed the terms of the Statute.¹

During the years 1924 to 1930 complaints regarding alleged infractions of the Convention and Statute were frequently addressed by Memel to the Council of the League of Nations. Elections for the Landtag were not held until October 1925, when they resulted in the return of 27 German members and 2 Lithuanians. The Memellanders complained to the League on several occasions regarding the postponement of the elections and regarding alleged interference with their religious, cultural, and judicial rights. In June 1926, after the Landtag had come into existence, a memorandum embodying a number of complaints—the most serious of which related to the question of finance—was placed on the agenda of the Council at the request of the Principal Allied Powers.² Before the Council had taken action, however, a direct settlement of the financial dispute was reached, and the other complaints were then withdrawn.

The next occasion for an appeal to the Council was provided by a political deadlock in the spring of 1927. Between October 1925

¹ Article 15 of the Statute gave the Governor, in agreement with the Directorate, power to dissolve the Landtag; but it stipulated that elections for the new Chamber must take place within six weeks from the date of dissolution.

² The procedure to be followed in connexion with petitions from Memel was the subject of prolonged discussion. Article 17 of the Convention provided that any member of the Council of the League of Nations should be entitled to draw the attention of the Council to any infraction of the terms of the Convention, but there was no provision for a direct appeal by Memel to the Council. In September 1925 the Council decided that communications from Memel alleging infraction of the Convention should be circulated by the League Secretariat to members of the Council, any one of whom might then request that the matter be placed on the agenda of the Council. This decision was not accepted by Lithuania, who protested against the action taken by the Principal Allied Powers in June 1926; and in the following September the question of procedure was referred to a committee of jurists. The jurists' opinion, which was accepted by the Council, was that Memel was not entitled to address complaints to the Secretariat of the League, but must communicate with a member or members of the Council, who would be expected, before bringing the matter to the notice of the Council, to make sure that there were good grounds for belief that an infraction of the Convention had actually been committed. The date of this decision coincided with the admission of Germany to the League of Nations, and it was natural that, thereafter, Germany should be the Council Member to whom the Memellanders addressed themselves. The Lithuanian Government continued to contest the right of Germany, who was not a signatory of the Memel Convention, to bring questions relating to Memel before the League; and their persistence in denying the competence of the Council to deal with questions which had been brought to their notice in this manner led to various suggestions that the Permanent Court should be asked to determine what was the proper procedure. These suggestions, however, were not adopted.

and January 1927 three successive Directorates were obliged to resign because they received votes of no confidence from the Landtag, and the Governor finally dissolved the legislative body—with the intention, apparently, of conducting the administration independently of it, by means of a Directorate formed of his nominees. No election for a new Landtag having been arranged, the position was brought to the notice of the League Council in May 1927 by Dr. Stresemann, the German Foreign Minister. In June, however, Dr. Stresemann succeeded in settling the matter out of court with Monsieur Valdemaras, the Lithuanian Prime Minister, who promised that elections should be held in the Memel Territory without delay. This promise was duly carried out in August (although there were complaints regarding the conduct of the elections),¹ and further German-Lithuanian conversations which began in October resulted in the signature of a number of agreements on the 29th January, 1928.

These agreements included an arbitration treaty and three conventions relating to the régime on the frontier, as well as an agreement regarding Memel. The basis was also laid for a new commercial treaty, to replace an agreement concluded in 1923, negotiations for the revision of which had been proceeding intermittently for some two years.² The new commercial treaty was finally signed on the 30th October, 1928, on terms which were not unfavourable to the Lithuanian export trade but which gave Germany, in return, extensive rights in the matter of domicile and settlement. According to Polish criticisms, indeed, the treaty practically converted Lithuania into a colony of Germany. The reason for Monsieur Valdemaras's conciliatory attitude towards Germany was not, of course, far to seek. Throughout his period of office, which lasted from December 1926 until September 1929, the main object of Lithuanian foreign policy was to score as many points as possible in the perennial dispute with Poland. In these circumstances it was obviously worth while for Lithuania to cultivate the friendship of Germany,³ whose

¹ The majority which the Germans had possessed in the Landtag was reduced by two, from 27 to 25.

² Apart from political complications, the fundamental difficulty in these negotiations was the same as in the case of the German-Polish economic negotiations (see section (ii) (c) of this part of the present volume), namely, German agrarian opposition to the granting of favourable terms to a country whose exports were mainly agricultural.

³ Lithuania had already made sure of the moral support of Poland's other potentially hostile neighbour, the U.S.S.R. Lithuania was the first of the Russian border-states to respond to overtures for a pact of non-aggression which were made by the Soviet Government in the spring of 1926, and in the agreement which was signed on the 28th September, 1926, the Soviet Government placed it on record that they had not ceased to recognize Lithuania's

own relations with Poland were anything but satisfactory, and whose support would be particularly useful to Lithuania when her dispute with Poland was discussed at Geneva.¹

The improvement in the general relations between Germany and Lithuania was reflected in the comparative tranquillity which reigned in Memel throughout the year 1928. During the following year, however, friction began to make itself felt again between the Directorate and the Landtag, and Monsieur Valdemaras's fall from power in September 1929 was followed within a few months by a recrudescence of political trouble in Memel Territory. This coincided with a renewal of tension in the economic relations between Germany and Lithuania, in consequence of an increase in the German customs tariff on agricultural produce which was brought into effect in April 1930 and which made it unprofitable for Lithuanian exporters to sell their goods in the German market.² In August 1930 the Governor of Memel again dissolved the Landtag, after two Directorates had fallen in rapid succession. Elections were fixed for the 10th October, but the Memellanders decided to appeal to the League Council against alleged restrictions on their liberty by the maintenance of martial law³ and by other means, as well as against infractions of the judicial and financial provisions of the Memel Statute. On the 20th September, 1930, the German Government forwarded this petition to the League Secretariat with the request that it might be placed on the agenda of the Council as a matter of urgency; but, once again, the intervention of the Council was rendered unnecessary by the result of conversations between Dr. Curtius and Dr. Zaunius, the Foreign Ministers of Germany and of Lithuania, who were representing their respective countries at Geneva. Dr. Zaunius promised the formation of a new Directorate immediately after the elections, in consultation with the members of the new Landtag, and the removal of any restrictions which might prevent the elections from being

right to the possession of Vilna, which had been conceded by the Russo-Lithuanian Peace Treaty of the 12th July, 1920. (See the *Survey for 1927*, p. 225.)

¹ The moral was pointed, no doubt, by the non-committal attitude which Germany adopted when the Lithuanian-Polish controversy came before the League Council in December 1927 (at a moment, that is, when Monsieur Valdemaras had not carried his negotiations with Germany beyond the stage of indefinite promises).

² For the effect of these German measures for agrarian protection on German-Polish commercial relations, see section (ii) (c) of this part of the present volume.

³ Martial law had been declared in Lithuania in 1927, in consequence of internal troubles, and had been extended to the Memel territory—according to the Memellanders, without due cause.

entirely free. Dr. Curtius then withdrew his request for discussion of the Memellanders' appeal by the Council.

The elections for the Landtag, which were held on the 10th October, 1930, resulted in the Lithuanians gaining one seat, which gave them a total of 5 members out of 29. The German inhabitants declared that Monsieur Zaunius's promise of freedom for the elections had not been kept, and in May 1931 another petition was submitted to the League Council by Germany complaining that martial law was still in force and that the difficulties over finance and over Memel's judicial rights had not been solved.¹ The Council decided on this occasion to arrange for an expert inquiry, on the spot, into the financial problem,² but they left the other points at issue to be dealt with by the four members of the Council who were signatories of the Memel Convention. In the middle of June the four Powers addressed a note to the Lithuanian Government in which they suggested that conditions in Memel did not justify the maintenance in the territory of the martial law which had been in force throughout Lithuania since 1927. They also upheld the standpoint of Memel in regard to the principal outstanding question in the judicial field—that is, the competence of the local courts to try officials.³

In the meantime, a solution which satisfied the German majority had been reached in regard to the composition of the Directorate. The elections of October 1930 had been followed by lengthy negotiations between the Governor and the political parties, which ended early in January 1931 in the nomination as President of the Directorate of Herr Böttcher, a German with agricultural interests who was in close relations with the majority parties, though he had not hitherto taken any active part in politics. Herr Böttcher appointed as his colleagues two Germans, and, for the twelve months during which this Directorate of three persons remained in power, Memel enjoyed a greater measure of political stability than had fallen to her lot for some time past. The Lithuanians, however, were not at

¹ In September 1930 the Council's *rapporteur* on the Memel question (Monsieur Hambro, of Norway) had been authorized by the Council to examine in greater detail the judicial and financial problems raised in the petition from Memel, but although the matter had come up again in the next session of the Council in January 1931, it had been postponed. In March 1931 the Supreme Court at Kovno decreed that the Memel courts should no longer try cases in which Lithuanian officials were concerned.

² The final outcome of this financial investigation was that an agreement was signed on the 18th August, 1932, which regulated the financial relations between the Lithuanian Government and Memel for five years.

³ This *démarche* does not appear to have produced much result. At all events, martial law was still in force in Memel eight months later.

all satisfied with an arrangement which gave them no representation on the Directorate, and the feeling gained strength among the Germans that the Governor was only awaiting his opportunity to overthrow Herr Böttcher. When the opportunity came at the turn of the years 1931 and 1932 it was promptly seized.

In the middle of December Herr Böttcher, accompanied by two members of the Landtag, travelled to Berlin to conduct certain negotiations with potash and nitrogen syndicates as the representative of an agricultural co-operative society of which he was president. Whilst in Berlin, he also had conversations with the authorities at the Ministry of Agriculture on questions relating to the export of agricultural produce from the Memel Territory to Germany. Throughout the dispute which followed Herr Böttcher and the German Government, which took up the cudgels on his behalf, consistently maintained that the visit of the Memel delegation to Berlin had been entirely private in character, and that in his conversations with the German authorities Herr Böttcher had not been acting in his official capacity. Nevertheless, it does not appear to have been denied, on the Memel side, that the cost of the journey to Berlin was defrayed from public funds. The Lithuanian authorities held that Herr Böttcher (who had not informed them of his intentions before leaving for Germany) had exceeded his functions as President of the Directorate and had trespassed upon the province of the Government at Kovno by negotiating with a foreign Power. On the return of the delegation to Memel, the object and scope of the mission were discussed between Herr Böttcher and the Lithuanian Governor of Memel, Colonel Merkys, between Colonel Merkys and the Government at Kovno, and also between the Lithuanian and the German Governments. The upshot was that on the 6th February, 1932, Colonel Merkys informed Herr Böttcher that he had forfeited the confidence of the Lithuanian Government and invited him to resign his office. Herr Böttcher refused to take this course, on the ground that he was entitled by Article 17 of the Statute to remain in office so long as he possessed the confidence of the Landtag, and that the Landtag had passed a vote of confidence in him in January, after his return from Berlin. Thereupon, Colonel Merkys placed Herr Böttcher under arrest,¹ and appointed a provisional Directorate composed entirely of Lithuanians to carry on the Government.

¹ He was detained for about 48 hours and was then allowed to return to his own house, on the understanding that he would not leave it without permission. It appears to have been the original intention of the Lithuanian authorities to take proceedings against him on a charge of high treason, but this intention was abandoned on legal advice.

The situation had been growing more and more strained throughout January, and with the arrest of Herr Böttcher the tension reached a dangerous pitch. The German majority in Memel considered that Colonel Merkys had violated the Statute by acting in contravention of Article 15 (which conferred immunity from arrest on members of the Landtag) as well as of Article 17, and they declared their sentiments with no uncertain voice. The excitement in Memel itself was hardly greater than that in Germany. Comparisons were drawn between the actions and intentions of Lithuania in Memel and those of Japan in Manchuria,¹ and the press gave publicity to rumours that demonstrations by members of an unofficial Lithuanian military organization in Memel were preparing the way for a 'march on Memel' on the 16th February (the day on which the Lithuanians celebrated their independence). On the other hand, the Lithuanians viewed with equal suspicion hostile manifestations on the part of Nazis and Nationalists in East Prussia, which only confirmed them in their belief that Herr Böttcher's journey to Berlin in December had been part of a deliberate campaign against Lithuania's sovereignty over Memel.² In fact, there were all the materials for a conflagration,

¹ The Lithuanian Government were subsequently acquitted by the highest international legal authority of the charge that they had violated the Statute by dismissing Herr Böttcher (see p. 408 below); but at the time there appeared to be good grounds for the supposition that Lithuania's action at Memel was the first symptom of the disastrous effects which Japan's defiant attitude was likely to have upon the whole post-war system of international security. On this supposition, Lithuania, like Japan, appeared to have effected a *coup* at a moment when the intervention of other Powers was rendered improbable by their preoccupation with urgent affairs (in Japan's case, the situation created by the departure of Great Britain from the Gold Standard; in Lithuania's case, the situation created by Japan's action). In this connexion it was recalled that Lithuania had selected a similar occasion for her *coup* at Memel in 1923. The 11th January, 1923, the day on which the Lithuanian rising took place in Memel, was also the day on which French and Belgian troops marched into the Ruhr; and the result of this earlier *coup* might appear to justify the calculation that, given the ability to choose the right moment, a small Power could set the Great Powers at defiance with relative impunity.

² For some time past there had been signs of growing uneasiness in Lithuania on the subject of the continued predominance of German influence in Memel. For instance, several attempts had been made to diminish the considerable number of German nationals who occupied official or judicial posts in the territory. (According to the Lithuanian version the salary which such officials received from the Lithuanian Government was not infrequently supplemented from German funds.) In February 1930 the German Government found occasion to protest against the refusal of the Lithuanian authorities to renew the residence permits of eleven teachers in Memel schools who were German nationals. At that time negotiations were in train on the subject of the status of previous German officials in Memel, and an agreement was signed in May 1930. In the following spring, however, the Lithuanian authorities evoked another protest from Berlin by expelling five Germans.

which a mere spark might set alight, but which might easily spread until the whole of the precarious political structure in North-Eastern Europe was in danger.¹

On the 8th February the German Government asked that the question of the situation in Memel should be placed on the agenda of the League Council. The Council, which was already in session in connexion with the Sino-Japanese dispute, was able to deal with the Memel question on the 13th and the 20th February. The case of Memel was pleaded by Herr von Bülow,² while Dr. Zaunius, the Lithuanian Foreign Minister, defended his Government's action. Monsieur Colban, the representative of Norway, who was appointed *rapporteur*, endeavoured to effect a settlement by negotiation between the parties. This method had proved successful on most of the previous occasions on which questions regarding Memel had come before the Council; but this time the Lithuanian representative—whether he was inspired by a belief in the justice of his cause or by the example of Japan—was determined to stand his ground. Dr. Zaunius gave an assurance that the Lithuanian Government intended 'scrupulously to fulfil all its international obligations arising under the texts applicable to Memel', and he declared that the Governor was 'endeavouring to establish a Directorate according to the conditions laid down in the Statute'; but he refused to consent to the course of asking the Permanent Court of International Justice for an opinion on the principal legal points at issue—namely, whether the Lithuanian Governor possessed the right, under the terms of the Statute, to dismiss a Directorate which had not lost the confidence of the Landtag, and whether, if that right were established, the circumstances were such as to justify its exercise in the case of Herr Böttcher.

Monsieur Colban's report to the Council, which was adopted on the 20th February, took note of the assurances given by Dr. Zaunius, and emphasized the 'absolute necessity' of the establishment, with-

¹ A clash between Germans and Lithuanians at Memel might not seem likely, at first sight, to involve Poland, who was not the ally of either disputant; but local conditions were such that the danger of a Polish *Putsch* at Danzig seemed no less real in German eyes than the danger of a Lithuanian *Putsch* at Memel, while the possibility of aggressive action by German Nazis presented itself as a menace to the Poles no less than to the Lithuanians. In this atmosphere of general suspicion, an example set in one city would be likely to be followed in the other, and a single rash step might have the most far-reaching consequences.

² It was an additional grievance that members of the Memel Landtag, who had wished to be present at Geneva in order to put their own case, had been refused passports by the Lithuanian authorities.

out delay, of a Directorate enjoying the confidence of the Landtag. The immediate steps which were required, if an aggravation of the situation was to be avoided, would not prejudice the question of the legality of Herr Böttcher's dismissal. Since Dr. Zaunius's opposition to a reference of this question to the Permanent Court precluded the possibility of a unanimous vote by the Council, Monsieur Colban contented himself with pointing out that, under Article 17, paragraph 2, of the Memel Convention,¹ the Powers signatories of the Convention were 'entitled to deal with these questions of law as between themselves'. By adopting this report the Council virtually transferred to the guaranteeing Powers the responsibility for seeing that the Lithuanian Government fulfilled their promise in regard to the composition of the Directorate and for effecting a settlement of the dispute over Herr Böttcher's dismissal.

The guaranteeing Powers were naturally reluctant to use their power to summon Lithuania before the Permanent Court until other possibilities of a settlement had been exhausted, and they decided to postpone action until the position in regard to the composition of a new Directorate had become clearer. Negotiations between the Governor and the Landtag on this question had been impeded hitherto by the insistence of the majority parties that Herr Böttcher and his two colleagues were still legally in office, but after the conclusion of the discussion by the League Council Herr Böttcher put an end to the *impasse* by formally submitting his resignation.² At the end of February Colonel Merkys nominated a Lithuanian, Monsieur Simaitis, as President of the Directorate, but the persons whom Monsieur Simaitis proposed to nominate as his colleagues were unacceptable to the Landtag, and, the negotiations having failed, the composition of the Directorate was completed in the second week of March without the approval of the Landtag. The German Government protested to the Lithuanian Government and to the guaranteeing Powers,³ and on the 16th March the guaranteeing Powers

¹ Article 17, paragraph 2, ran as follows: 'In the event of any difference of opinion in regard to questions of law or of fact concerning these provisions between the Lithuanian Government and any of the Principal Allied Powers Members of the Council of the League of Nations, such difference shall be regarded as a dispute of an international character under the terms of Article 14 of the Covenant of the League of Nations. The Lithuanian Government agrees that all disputes of this kind shall, if the other party so requests, be referred to the Permanent Court of International Justice.'

² Herr Böttcher died on the 16th June, 1932.

³ Lithuania, in her turn, protested to the guaranteeing Powers against the alleged intervention of the German Consul in the negotiations for the formation of the Directorate, and against a memorandum, demanding that a plebiscite should be held to determine the future of Memel, which had been forwarded

despatched a note to Lithuania drawing attention to the fact that the formation of a Directorate which did not possess the confidence of the Landtag was not in accordance either with the Statute or with the assurance given by Dr. Zaunius at Geneva. On the 19th March the representatives of Great Britain, France, and Italy at Kovno conveyed to the Lithuanian Government the warning that a dissolution of the Landtag would be considered an infraction of the obligations which Lithuania had accepted at Geneva and would oblige the guaranteeing Powers to refer the matter to the Permanent Court. Contrary to the general expectation, these *démarches* from the Great Powers produced no effect on Lithuania. On the 22nd March the Simaitis Directorate appeared before the Landtag to receive a vote of no confidence, and the Landtag was then dissolved by Colonel Merkys. The elections for a new Landtag were fixed for the 4th May.

On the 11th April the four guaranteeing Powers instituted proceedings against Lithuania before the Permanent Court of International Justice. The Court was asked to give a decision on the following questions:

(1) Whether the Governor of the Memel Territory has the right to dismiss the President of the Directorate.

(2) In the case of an affirmative decision, whether this right only exists under certain conditions or in certain circumstances, and what those conditions or circumstances are.

(3) If the right to dismiss the President of the Directorate is admitted, whether such dismissal involves the termination of the appointments of the other members of the Directorate.

(4) If the right to dismiss the President of the Directorate exists only under certain conditions or in certain circumstances, whether the dismissal of Herr Böttcher, carried out on the 6th February, is in order in the circumstances in which it took place.

(5) Whether, in those circumstances, the appointment of the Directorate presided over by M. Simaitis is in order.

(6) Whether the dissolution of the Diet by the Governor of the Memel Territory on the 22nd March, when the Directorate presided over by M. Simaitis had not received the confidence of the Diet, is in order.

Before the Permanent Court gave its decision on these questions the situation in the Memel Territory underwent a surprising change. The election campaign naturally gave rise to much excitement. The first step taken by the Lithuanian authorities—the arrest of several members of the Memel Labour Party (which was composed mainly of Germans) and of a German national suspected of espionage—

to President Hindenburg by the Memel Landbund. Lithuania also took exception to expressions used by Dr. Brüning, the Reich Chancellor, when the Memel Question was under discussion in the Reichstag.

strengthened the belief that no stone would be left unturned in the effort to increase Lithuanian representation in the Landtag. According to the German version, the interference with political meetings and the censorship of the press which had been features of previous elections were supplemented on this occasion by a determined attempt to swell the number of Lithuanian voters by unconstitutional means. The Germans accused the Lithuanian authorities of arbitrarily cancelling the rule that no Lithuanian could become a naturalized citizen of Memel until he had resided in the territory for a year, and of permitting the naturalization of large numbers of Lithuanians who crossed the border for the purpose of voting in the elections. According to the information which was supplied to the German Government, between 9,000 and 10,000 new votes were created in this way during the fortnight following the dissolution of the Landtag. The guaranteeing Powers, at the instigation of the German Government, sent a further note to Lithuania at the end of April on the subject of the conduct of the elections. If the Lithuanian authorities really took the measures attributed to them they must have been highly disappointed with the results. On the polling day, which passed off without disturbance, votes were recorded by an unprecedentedly high proportion of the electorate, but the Lithuanians again obtained only five seats.¹

This decisive victory for the German parties seems to have convinced the Lithuanian Government that the German predominance in Memel could not be shaken by any methods that it was open to them to employ, and they decided to change their tactics. The elections of the 4th May were followed immediately by the resignation of the Lithuanian Governor, Colonel Merkys,² which was accepted by the Government at Kovno. A fortnight later, a new Governor was appointed in the person of Monsieur Gylys, the Lithuanian Consul-General in London. At the beginning of June Monsieur Gylys, after consulting the Lithuanian Government, nominated a German, Dr. Schreiber, as President of the Directorate, and Dr. Schreiber had no difficulty in selecting colleagues who were acceptable to the majority of the members of the Landtag. A further symptom of the conciliatory

¹ It depended, of course, on the answer given by the Permanent Court to the last of the questions put to it by the guaranteeing Powers whether the elections of the 4th May were valid, or whether the old Landtag had legally remained in existence.

² Colonel Merkys had occupied this post since the end of 1925. His military outlook, and the manner in which he had applied the martial law that had been in force in the territory since 1927, had made him specially obnoxious to the German civilian population.

intentions of the Lithuanian Government was the release of the German national who had been arrested at the end of March on a charge of espionage.

It was in these improved circumstances that the proceedings before the Permanent Court of International Justice were opened on the 8th June, 1932. The Court had first to dispose of a Lithuanian objection to its competence, and its opinion on the substance of the dispute was not delivered until the 11th August. On that date the Court, by 10 votes to 5, answered the questions of the guaranteeing Powers by giving a ruling—

That the Governor of Memel is entitled for the protection of the interests of that Territory to dismiss the President of the Directorate, or local government.

That such dismissal does not involve the termination of the appointments of the other members of the Directorate.

That as Herr Böttcher, the President of the Directorate, in having negotiated in Berlin about the foreign relations of Memelland had violated the Statute of Memel which reserves the control of the foreign affairs of Memelland exclusively to the Lithuanian Government, his dismissal by the Governor, M. Merkys, on the 6th February, 1932, was in order.

That the Governor was justified in appointing a new Directorate under M. Simaitis as President of the Directorate in succession to Herr Böttcher.

That the Governor was not in order in dissolving the Diet on the advice of M. Simaitis before his Directorate had received a vote of confidence from the Diet.

Thus on the main point at issue—the legality of the Governor's dismissal of Herr Böttcher—Lithuania was vindicated; and although the Landtag was now shown to have been improperly dissolved in March, the fact that the elections of the 4th May had not modified the position of the parties in the previous Landtag made this point of little practical importance. Thereafter, down to the time of writing, the course of events in Memel was not such as to call for international attention.

PART V

THE FAR EAST

(i) Introduction: Internal Developments in China and Japan.

THE year 1932 witnessed a continuance and intensification, but no solution, of the crisis which had been precipitated by the opening of the Japanese military operations at Mukden on the night of the 18th–19th September, 1931.¹

From the outset, the issue raised by the outbreak of this conflict between Japan and China had lain much deeper, and ramified much wider, than the local and superficial clash of tempers and aims and interests between the two combatants. In the first place, the collision between the two principal Far Eastern nations had affected in a direct and tangible way the material interests of every other Power that had any substantial stake in the Far East: first and foremost the U.S.S.R.;² in the next degree the United Kingdom and the United States; and in the third degree France and the Netherlands—not to mention a longer list of countries which were interested in some measure in the international trade which flowed through the International Settlement at Shanghai. In the second place and in another way—on the point of principle and precedent—the Sino-Japanese conflict had raised an issue which, in this ‘post-war’ age, was of profound political interest to every country in the world. This oecumenical issue of a political order was the question whether the international system of collective security, which had been built up by mankind under the impression of the terrible experience of 1914–18, would survive ‘the acid test’ of a breach of the peace on the part of a naval and military Great Power. This was an issue which was acutely felt in all the small countries of the world, since their peoples believed that their own national destinies depended on the decision whether ‘the collective system’ should succeed or fail. From this point of view, the outcome of the conflict in Manchuria and at Shanghai was a matter of deep concern to the people of land-locked European countries like Switzerland and Czechoslovakia, whose material interests in the vicissitudes of Far Eastern politics could be written off as negligible.³

¹ See the *Survey for 1931*, Part IV, section (iii) (b).

² See pp. 533–7 below.

³ For the attitude in the small countries, see the *Survey for 1931*, pp. 503–4, and the present volume, pp. 517, 575–7, below.

As the crisis arising from the Sino-Japanese conflict persisted through the year 1932, its oecumenical character became more and more apparent on every plane. On the military plane, the fighting spread from Manchuria, where the only directly interested party, besides China and Japan themselves, was the U.S.S.R., to Shanghai, which was one of the busiest and most cosmopolitan centres of international trade on the face of the earth. On the diplomatic plane, the field of action expanded from Geneva to embrace first Washington and then Moscow. The most important positive diplomatic event of the year was the re-statement in Mr. Stimson's note of the 7th January, and the elaboration in his letter of the 24th February, of an American doctrine of international law: the non-recognition of changes brought about by violence in breach of treaty.¹ The next most important positive event was the resumption of diplomatic relations between China and the U.S.S.R. on the 12th December.² The two corresponding negative events were the failure of the Soviet Government's tentative move for the conclusion of a Russo-Japanese non-aggression pact,³ and the diminution of cordiality in Anglo-American diplomatic relations owing to the apparent rebuff, by the Government of the United Kingdom, of tentative overtures from the Government of the United States for Anglo-American co-operation in asserting the new non-recognition doctrine in the face of Japanese militarism.⁴

It will be seen that in 1932, even more decidedly than in 1931, a survey of Far Eastern international affairs has to cover at least two fields: the field of military and political events in the Far East, and the vaster field in which these events produced their world-wide repercussions. But it is hardly possible to gain an intelligible view of the former of these two fields without making a preliminary reconnaissance into yet a third field: that is to say, into the internal affairs of the two principals. In the surveys of Far Eastern affairs that have been given in previous volumes, it has already been found impossible to extricate the international transactions relating to this region from the internal upheavals in one Far Eastern country: China. In surveying the year 1932, it is necessary to take some account of internal

¹ See pp. 540-51, below. The gist of the doctrine had been enunciated by one of Mr. Stimson's predecessors in office in the American note of the 13th May, 1915, addressed to the Japanese and Chinese Governments, regarding the Japanese 'Twenty-One Demands' of that year.

² For the breaking-off of diplomatic relations in 1927 see the *Survey for 1927*, Part III, section (ii). For subsequent relations between China and the U.S.S.R. see the *Survey for 1928*, Part IV, section (ii) (d); the *Survey for 1929*, Part IV A, section (iv); and the *Survey for 1930*, pp. 358-60.

³ See pp. 435 and 535 below.

⁴ See section (iv) (b) below.

developments not only in China but in Japan. Indeed, in this year the internal condition of Japan was perhaps the most important single factor that went to the making of the international situation.

In China, in 1932, there were changes of proportion and perspective, without any real change of scene, in the familiar features of a depressing landscape.

These familiar features were the lack of an effective Central Government in the western sense; the conflicts between the individuals, or the local cliques, who claimed to represent this dim central authority; the depredations and campaigns of war-lords; the grim reign of famine and banditry (the two indisputably effective sovereign powers in the country, who set the war-lords and politicians an example in the harmony with which they worked hand in hand!); and last, but not least, the progressive extension of the area which was given over to 'Communism'¹ (a name which, in its Chinese application, perhaps demands inverted commas because, like 'Manchukuo', it was perhaps not in fact precisely what it purported to be in theory).

The most conspicuous change in proportion was the diminution in vigour—and therefore in importance—of the struggles between one war-lord and another or between the war-lords and the Kuomintang or between the different factions and leaders within the Kuomintang itself (whose contentions for the mastery over the party-machine and over the Central Government had perpetuated the old struggles between the war-lords under a new 'slogan'). In 1932 these evils did not cease. There were remote provinces like Szechuan (a country with a population which was probably larger than that of the United Kingdom, though smaller than that of Japan) in which the old struggles between war-lords went on as they had gone on during the chapter of revolutionary history which had closed in other parts of China in 1928 with the military triumph of the Kuomintang.² As for the Kuomintang itself, the momentary reunion between the right and left wings of the Party, and between the local cliques at Nanking and Canton, proved less durable than the Japanese menace which had evoked it. In accordance with the agreement which had been reached in the last days of December 1931,³ the Kuomintang Government at Canton was formally dissolved at the turn of the years 1931 and 1932;

¹ See T. A. Bisson: 'The Communist Movement in China' = *Foreign Policy Reports*, Vol. ix, No. 4 (New York, 26th April, 1933, Foreign Policy Association). This study traces the past history of the movement, besides describing its position at the time of writing.

² See the *Survey for 1928*, Part IV, section (i).

³ *Survey for 1931*, p. 416.

but its existence was apparently re-proclaimed before the middle of January 1932 by the military governor of Canton, General Chan Chai-tong, while at Nanking the new Minister for Foreign Affairs, Mr. Eugene Chen (who had made his name in 1926-7),¹ and the new President of the Executive Yuan, Mr. Sun Fo, both resigned in despair before the end of the month, within a few days of Marshal Chiang Kai-shek's return to Nanking and to power.² Chiang's return re-inflamed the personal jealousies and rancours that had momentarily been allayed by his temporary withdrawal; and although the Cantonese Nineteenth Army entered into a comradeship-in-arms with Chiang's *corps d'élite* in the resistance to the Japanese during the campaign of the 28th January-3rd March, 1932, in the hinterland of Shanghai,³ the *union sacrée* between the Chinese politicians had virtually broken down before this new Japanese offensive was launched. Nor did the Kuomintang Central Government succeed in rallying nation-wide support by the dramatic gesture of withdrawing from Nanking to Loyang—the historic eastern capital of the Later Han and of the *fainéant* Ch'ou before them—as a retort to the shelling of Nanking by Japanese warships on the Yangtse on the 1st February.⁴ This withdrawal, which lasted nominally from the 31st January to the 1st December, was followed up by the assemblage, in the refugee capital, of a National Emergency Conference; but this assembly, which sat from the 7th to the 12th April, only served to demonstrate the unrepresentative character of the Government which had convened it. The absence of about two-thirds of the delegates was more conspicuous than the attendance of the residue.⁵

Nevertheless, this rapid recession of the mirage of national unity under the aegis of the Kuomintang was not followed, in 1932, by the recrudescence of civil war in the heart of China on any considerable scale between rival factions of the Kuomintang or between rival war-lords. When the return of April ushered in the usual campaigning season of the Chinese civil war, a local war-lord made a motion to revolt in the Chefoo district of Shantung, while in Fukien the commander of a roving army (a former unit of Fêng Yü-hsiang's Kuomin-chün, which had been transferred by the Nanking Government from

¹ See the *Survey for 1926*, Part III A, sections (vii) and (xii); the *Survey for 1927*, Part III, section (iii).

² See the *Survey for 1931*, p. 418.

³ See section (iii) (b) of this part of the present volume.

⁴ See pp. 485-6 below.

⁵ The poor attendance at the Loyang Conference cannot be put down to the remoteness of the meeting-place; for in 1932 Loyang was accessible by railway—via the Lunghai line—from Nanking, Hankow, Peiping, and Tientsin (subject, of course, to the interruption of travel by the activities of brigands and Communists).

Shantung to the anti-Communist front south of the Yangtse) threatened to make provision for his derelict force by swooping down upon Amoy. These two movements, however, came to nothing, and there were no major conflicts either between Nanking and Canton or between Nanking and Peiping. However deeply disillusioned 'the Young Marshal' Chang Hsüeh-liang and the other potentates in the northern intra-mural provinces might actually be with the Kuomintang and with Chiang Kai-shek, they could not afford a breach with Nanking when the Japanese were holding a pistol at their heads from Chinchow and Shanhaikwan. As for the potentates in Canton, who had no such considerations to deter them, they were prevented, in 1932, from launching another northern military expedition¹—partly by their own local dissensions (which went, if possible, to further extremes than those which were simultaneously paralysing the Nanking Government) and partly by the widening zone of Communist territory on either side of the water-shed between the Yangtse Basin and the Southern Seaboard: a barrier which was now insulating Canton and Nanking more and more effectually from one another.

Communism and banditry (in so far as a clear distinction could be drawn between them) were the twin features that were dominant, in 1932, over the Chinese scene; and these two scourges, again, had increased in intensity without any substantial change in their character. Since they were simply the aftermath of anarchy and civil war and famine, they were bound to increase so long as these efficient causes persisted.

The prevalence of brigandage can best be indicated by a mention of a few typical outrages against foreigners—with the annotation that these are merely a few illustrations taken at random from a long list, and that the foreign victims of brigandage were insignificant in numbers compared with the statistics (if these had been forthcoming) of the Chinese victims of Chinese predatory activities.

In Szechuan, on the 7th December, 1931, the Anglican Bishop of Western China, Dr. Mowll, was held up by bandits, and robbed, while he was travelling by boat from Chungking to Chengtu with his wife and a party of fellow-workers. On the 15th January, 1932, an American citizen, Captain James Baker, in the service of the Yangtse Rapid Steamship Company, was carried off by bandits, together with six Chinese members of his crew, from the vessel of which he was master, when she was moored for the night at a point

¹ For the abortive Cantonese northern military expedition of 1931, see the *Survey for 1931*, p. 413.

on the Yangtse 160 miles above Hankow. The French Catholic missionaries in Szechuan had an even worse experience in the spring of 1932 than their English *confrères* had had at the end of the previous year. A local war-lord presented the Mission with a demand for a 'loan' of \$1,500,000 (Mexican); and, though the Bishop managed to take hiding, the Provincial was seized and held as security. On the 26th June ten American citizens (missionaries and their families) were seized by Communists at Kikungshan, on the Peiping-Hankow Railway, where they were spending their summer holidays.

Such outrages against foreigners, though they naturally attracted more attention in the countries to which the victims belonged, were in no way comparable in scale with the sufferings of the Chinese population from the same scourge. It was reckoned, for example, that in the single province of Hupeh, in the course of the two years 1930 and 1931, the toll taken by banditry had been 164,551 deaths, 946,000 persons reported missing, 7,800 persons held to ransom, and 310,000 houses burnt down.

Chinese and foreigners alike were exposed to the perils of banditry when they were working in the service of the Flood Relief Commission, whose agents had to hazard their lives—without regard to the local social and political conditions—wherever there were dykes to be repaired against time, before the next seasonal rise in the waters of the Yangtse and its backwaters and tributaries. In the course of the Commission's work large numbers of its workers were killed or taken captive by bandits or Communists at one time or another.¹

The relations between the Commission and the Communists were quaintly chequered. For example, the release of the captive American ship-master, Captain Baker, was secured, without ransom, on the 1st June, 1932, by a foreign missionary, Mr. G. F. Andrew, who was in the service of the Flood Relief Commission, with the help of two of his Chinese colleagues named Chao and Hsüeh. 'Although at one time the bandits demanded \$40,000, owing to their eagerness to see strong dykes erected in their territory they were ready to treat with Mr. Andrew as Sir John Hope Simpson's representative, and agreed to release Mr. Baker in return for an undertaking by the Flood Relief Commission to continue supplying food to labourers on the dykes.' Mr. Andrew's two Chinese colleagues actually volunteered, in exchange for Captain Baker's release, to remain as hostages in the Communists' hands, and they only recovered their liberty in the autumn, when the discomfiture of the local Communists by the Nanking

¹ See an article by Sir John Hope Simpson, summing up the work of the Commission, in *The Times*, 12th September, 1932.

Government's forces led to their release, together with eight of their comrades.

On the 12th May, 1932, the forces of a Communist Government whose home territory was in Honan Province swooped down upon the local headquarters of the Flood Relief Commission at Chengyangkwan in Anhwei, 'dispersed or removed all its resources in grain and in cash, took the staff prisoner, including the local superintendent, Mr. Ferguson, of the China Inland Mission, and broke up the reconstruction work over a total length of 120 miles. Yet, when the army retreated, the Commission began the work again at once, with a staff newly recruited, and the revised programme provided that these dykes on the Hwai River should be completed by the 15th August.

'The points at which Soviet territory adjoined territory under the provincial Governments gave cause for great anxiety. Soviet troops were constantly executing workmen as Whites. Government troops retaliated by shooting others as Reds. It is estimated that at least 1,000 workmen on the north bank of the Yangtze lost their lives in this manner in one summer month.'¹

At the same time, the Flood Relief Commission—as the bargain struck over the release of Captain Baker shows—did not find it impossible to come to an understanding with the Communist authorities. The Communist captors of Mr. Ferguson at Chengyangkwan were not moved by the prayers of the local population, who knelt before them, to the number of 200, 'vainly begging for his release as the only person interested in keeping the starving folk alive.'² Yet they treated their prisoner kindly and set him free after a few days.

With the separate Communist Government which controlled the north bank of the Yangtze for a stretch of 150 to 200 miles beginning a few miles above Hankow, the Commission entered into regular negotiations, since 'it was essential to the completion of the Commission's task that the dykes on the north bank of the Yangtze should be repaired in addition to those on the south bank', and 'this could only be done in agreement with the Soviet authorities. A convention was in fact concluded, and the work in Soviet territory organized and supervised by the Commission's engineers. These all took their lives in their hands and jeopardized and in 30 cases lost their liberty. But the main dykes in Soviet territory' were made 'as solid as any other dykes along the Yangtze'.³

¹ Sir John Hope Simpson, *loc. cit.*

² *The Times*, 24th May, 1932.

³ Sir John Hope Simpson, *loc. cit.* See also a series of articles contributed to *The North China Daily News* in November and December 1932 by a special correspondent who visited Western Hupeh shortly after the Communists had been driven out by Chiang Kai-shek's troops.

The frontier of this particular Communist Government in Hupeh (the so-called King Li Government) was marked by a notice-board planted on the north bank of the Yangtse, above Hankow, in a prominent position;¹ and this Government issued its own coinage and stamps from its local capital.² Nor was this degree of organization unusual, as will appear from the authoritative picture of Chinese Communism in 1932 which is painted in the *Lytton Report*.

Large parts of the provinces of Fukien and Kiangsi, and parts of Kwangtung, are reliably reported to be completely sovietized.³ Communist zones of influence are far more extensive. They cover a large part of China south of the Yangtse, and parts of the provinces of Hupeh, Anhwei, and Kiangsu north of that river.⁴ Shanghai has been the centre of the Communist propaganda. Individual sympathisers with Communism may probably be found in every town in China. So far, two provincial Communist governments only have been organised in Kiangsi and Fukien, but the number of minor Soviets runs into hundreds. The Communist Government itself is formed by a committee elected by a congress of local workers and peasants. It is, in reality, controlled by representatives of the Chinese Communist Party, which sends out trained men for that purpose, a large number of whom have been previously trained in the U.S.S.R. Regional Committees, under the control of the Central Committee of the Chinese Communist Party, in their turn control provincial committees and these, again, district committees, and so on, down to the Communist cells organized in factories, schools, military barracks, &c.⁵

When a district has been occupied by a Red army, efforts are made to sovietize it, if the occupation appears to be of a more or less permanent nature. Any opposition from the population is suppressed by terrorism.⁶

The programme of action consisted in the cancellation of debts, the distribution among landless proletarians and small farmers of land forcibly seized, either from large private owners or from religious institutions, such as temples, monasteries and churches. Taxation is simplified; the peasants have to contribute a certain part of the produce of their lands. With a view to the improvement of agriculture, steps are

¹ Sir John Hope Simpson, *loc. cit.* See also an interesting article in *The New York Times*, 26th July, 1932.

² *The Times*, 2nd June, 1932.

³ For details, see Bisson, *op. cit.*, p. 41.—A.J.T.

⁴ For details, see Bisson, *op. cit.*, pp. 41–2.—A.J.T.

⁵ For the rôle of the political bureaux of the Chinese Red armies, see Bisson, *op. cit.*, p. 42.—A.J.T.

⁶ According to Bisson, however, in *op. cit.*, on p. 43, this hierarchical organization was theoretical rather than operative. 'The weight of evidence would seem to indicate that the inland soviet régimes operate almost entirely on their own responsibility, directed neither by Shanghai nor Moscow.' At the same time, Bisson agrees with the *Lytton Report* in the opinion that, in the local soviet governments of the interior, 'the Chinese Communist leaders . . .' had 'retained control of certain key positions', and that the power there had not passed entirely into the hands of the emancipated agricultural proletariat.—A.J.T.

taken to develop irrigation, rural credit systems, and co-operatives. Public schools, hospitals and dispensaries may also be established.¹

Thus the poorest farmers derive considerable benefit from Communism,² whereas the rich and middle-class landowners, merchants, and local gentry are completely ruined, either by immediate expropriation or by levies and fines, and, in applying its agrarian programme, the Communist Party expects to gain the support of the masses. In this respect, its propaganda and action have met with considerable success, notwithstanding the fact that Communist theory conflicts with the Chinese social system. Existing grievances resulting from oppressive taxation, extortion, usury, and pillage by soldiery or bandits were fully exploited. Special slogans were employed for farmers, workmen, soldiers, and intellectuals, with variations specially adapted to women.

Communism in China is not by any means, as in most countries other than the U.S.S.R., either a political doctrine held by certain members of existing parties, or the organization of a special party to compete for power with other political parties. It has become an actual rival of the National Government. It possesses its own law, army, and government, and its own territorial sphere of action. For this state of affairs there is no parallel in any other country.³

It will be seen that, by the year 1932, Communism in China had become an organized and effective political power exercising exclusive administrative authority over large stretches of territory, and that the Chinese Communists were in some degree affiliated to the Communist Party in Russia. In view of the resumption of diplomatic relations, on the 12th December, 1932, between the Russian Communist Government at Moscow and the Kuomintang Central Government of the Chinese Republic at Nanking, it is pertinent to inquire how close the affiliations between the Chinese and the Russian Communists were, and how far Communism stood for the same things in China as in the Soviet Union. For at the end of 1932 the Nanking Government was in unusual straits; and its resumption of relations with Moscow—a step which it had persistently declined to take in spite of the Russian pressure which had been exercised during the three previous years, ever since the signature of the Protocol of Khabarovsk⁴—looked like a confession of its own weakness, of its loss of faith in salvation through the League or Nations, and of the inexorable necessity of finding for China some

¹ For further details of the programme of action, see Bisson, *op. cit.*, pp. 42–3. 'The agrarian reforms instituted by the Communist régime form the crux of its economic programme and the basis upon which its political power is consolidated'.—A.J.T.

² The 'immediate effects have undoubtedly been to create a more widely distributed set of vested interests, for whose protection the beneficiaries will fight fiercely'.—Bisson, *op. cit.*, p. 43.

³ *Lytton Report*, pp. 22–3.

⁴ See the *Survey for 1929*, pp. 367–8.

'very present help' in the sore trouble of Japanese aggression. If Communism in China were really bone of the bone and flesh of the flesh of its Russian homonym, then, at the turn of the years 1931 and 1932, the world was faced with the possibility that the renewal of relations between Moscow and Nanking might be followed by an elimination of the discomfited Nanking Government and the discredited Kuomintang, in order to make way for an alliance between the Russian Soviet Union and a Chinese Soviet Union of the same colour. A geographical corridor between Russia and the Chinese Communist domain in the Yangtse Basin was offered by the Soviet Republic of Outer Mongolia, which was under Moscow's aegis, and by the Chinese province of Shensi: the stronghold of Fêng Yü-hsiang's Kuominchün, with its Russian proclivities. The possibility that Chinese and Russian Communism might join hands was thus to be reckoned with if Chinese Communism were Communism in the Russian sense.¹ On the other hand, it was little more than theoretical, if the common ground between the Russian and the Chinese movements did not extend beyond the mere community of name; and from the passage here quoted from the *Lytton Report* it will be seen that this, also, was a tenable view. The so-called Chinese Communism, as far as its character was known to the outer world in 1932, might plausibly be interpreted as a mere agrarian revolt against intolerable mis-government—a revolt which had sought prestige in the unwarrantable adoption of a dreaded name. This view was put forward by one distinguished British observer—the Dean of Canterbury, Dr. Hewlett Johnson—who travelled extensively in China in the course of this year.² In the light of such information as existed at the

¹ This possibility seems to have exercised the mind of President Chiang Kai-shek; for, in the summer and autumn of 1932, he bent all his military strength—and this time, with some success—to the task of overthrowing the Communist régime and re-establishing the authority of the Nanking Government in the provinces of Anhwei, Hupeh, and Honan.

² The Dean of Canterbury's travels in China in 1932 were a remarkable feat, considering the state of the country. In the company of Major Todd, the Chief Engineer of the China International Famine Relief Commission, Dr. Hewlett Johnson travelled 1,600 miles by motor lorry westward from Tungkwan (the railhead of the Lunghai Railway, which was already 700 miles from the coast) until he penetrated right into Tibet. See his own accounts of this journey in *The Manchester Guardian*, 18th July, and *The Times*, 26th and 27th July, 1932. Dr. Hewlett Johnson's account of Chinese Communism, as he saw it, is given in the following passage in his interview with the representative of *The Manchester Guardian*:

'You must be careful,' he said, 'to describe it as "so-called" Communism, for one must distinguish it from what I think is a highly scientific experiment in Russia. In this area of China it is an agrarian revolt against military despotism. For this reason I found very little echo of Russian thought in

turn of the years 1932 and 1933, it was hardly possible to judge which of these two alternative estimates of the nature of Chinese Communism was the nearer to the truth.

In any case, the vision of a China on the verge of slipping, in 1932, over the precipice of mis-government into the abyss of Communism might be viewed with a certain prudent scepticism by observers who were well enough acquainted with Chinese life and Chinese history to make due allowance for the remarkably wide discrepancy between appearance and reality which was one of the well-known optical effects of the Chinese psychological atmosphere. If China appeared to be *in extremis* in 1932, the wary critic would pause to ask himself whether he could remember any year in which she had seemed to be in any better condition since the beginning of the Revolution twenty-one years back. Year after year China had escaped, by a hair's-breadth, an apparently inevitable doom because the folly and wickedness and disorder on the surface of life were counterbalanced by a saving element of common sense and steadiness and industriousness

the parts of China I was mainly in. On the coast, however, among the students, I did find more traces of Russian influence. Among the thoughtful students there I found a readiness to consider Communism. It was a readiness very carefully expressed, because it is death to talk Communism. The authorities are ruthless in suppressing it. My chief criticism, perhaps, of the Nanking Government would be that it does not allow free expression of opinion because it is terrified of the agrarian revolt, which is an entirely different thing to Communism proper.'

The distinction here drawn by Dr. Hewlett Johnson is challenged, however, by another English observer on the following grounds:

'Communism, according to its own theorists, requires a revolutionary upheaval of workers and peasants, to be steered and directed by a small nucleus of disciplined party men, who need not be at all numerous if only the situation itself is revolutionary. It is not required that the masses should be conscious adherents of Marxist doctrine, but only that they shall be bitterly discontented. Not many of the workers, and very few of the peasants, who made the Russian Revolution were Communists in the doctrinal sense; they merely responded to the slogan of "Land, Peace and Bread" which the Bolsheviks proclaimed. Since then of course they have been continuously indoctrinated with Marxism, but the number of Russian peasants who knew anything about materialist dialectic in 1917 cannot have been much greater than that of Chinese peasants who can give an account of it at the present day. Chinese Communism is still in the insurrection-and-civil-war phase which the Russian has passed through and left behind, but I do not see that for that reason it has no right to the name of Communism. Of course, as China is much more backward industrially to-day than Russia was in 1917, the agrarian side of the revolution is much more important relatively than it was in Russia, and this somewhat weakens its Communist character, but the Communists hold that, even though advanced industrialization is essential to full Communism, backward, pre-industrial countries may nevertheless be "sovietized", preserved from capitalism and gradually led on to a socialist economy by Marxist-trained rulers.'

in the busy private lives of all but an infinitesimal percentage of the four hundred and fifty millions. After describing his own escapes from bandits in Kansu in the year under review, Dr. Hewlett Johnson acutely observes that—

It is easy to make too much of the bandit menace. Bandits are only an incident; they do not occupy the whole field. A bigger factor is the orderly industrious life of the community. Farmers at their toil in the field, children at their play; village and city streets with blue-gowned merchants resting elbows on high shop counters, and the sundry processes of manufacture—clothing and shoes, carpets, umbrellas, rice, tobacco, and combs—all proceeding in picturesque profusion at open-fronted, windowless shops along the narrow, crowded streets: this and not bandits is the essential reality of life in Western China.¹

And what was true of the interior of China, where the leaven of an exotic civilization from overseas was only just beginning to ferment, was not untrue even in the neighbourhood of the treaty-ports and the railways. The fashion in which it was possible to arrive at a working accommodation with bandits and Communists is illustrated by the adventures of the Flood Relief Commission which have been cited above; and the stupendous scale of the constructive work which this Commission was able to carry out in 1932, under social and political and technical difficulties which would seem prohibitive *a priori*, is summed up in the following passage from a summary account of this work by the skilled and experienced public administrator who directed it.

By the end of December 1931, the land was sufficiently dry and the organization complete for work on the dykes. Their repair and reconstruction were a gigantic task. The damaged main dykes alone extended to 3,000 miles in length. There were thousands of miles of private and subsidiary dykes in addition, the repair of which was equally necessary. The Commission undertook responsibility for all work on the main dykes. It gave a subsidy, in no case exceeding 20 per cent. of the cost of work done, to all owners who undertook the repair of their private dykes. Once the work had been organized its progress was very rapid. Refugees flocked to the dykes in their tens of thousands. By the month of March, in the Hankow area alone, 350,000 were at work, and in May, on the day of greatest activity, the returns from the main dykes showed over 1,400,000 men at work. It is a tribute to the Chinese that the whole of the technical staff in control was Chinese. On the whole this staff showed great resource and organizing ability, and extraordinary courage. By the end of June the great bulk of the work was complete.

Relief for the able-bodied was provided by the dyke work. The sufferers who could not work were granted relief in their own villages. Lists were published and posted in the village concerned, and these lists provided an effective check on peculation. The scale of the work of

¹ *The Times*, 27th July, 1932.

relief was colossal. It is safe to say that not less than 6,500,000 persons received relief in one form or another. It is probable that the number will prove to be much larger.¹

In Dr. Hewlett Johnson's narrative, again, the peril of banditry is a less prominent feature than the progress of road-building. And the roads were being built not only by the International Famine Relief Commission but by the Chinese and Provincial Governments. In one sense the building of new roads was a more important event than the repair of old dykes. For while the latter simply protected Chinese Society against a recurrence of the immemorially ancient ravages of Physical Nature, every improvement in the internal communications of China brought her a step nearer towards the cure of her modern human scourges: disunity and banditry and civil war.²

Another symptom of Chinese vitality was the perceptible recuperation of Shanghai from the havoc which had been wrought there by the Japanese invaders between the 28th January, 1932, and the 3rd March. As early as the 12th July, 1932, the United States Commercial Attaché at Shanghai was actually able to report that the favourable changes had apparently outnumbered, and proved slightly more important than, the unfavourable changes in the economic life of China during the preceding month.

The internal aspect of China in 1932, as depicted above, was almost exactly the inverse of that of Japan. The deplorable national impotence of China, which placed her at the mercy of Japan, or of any other Power that might choose to attack her in defiance of the treaties, was co-existent, as has been indicated, with a surprising national reserve-power of vitality. And it might have been supposed, *a priori*, that the latent strength of Japan exceeded that of China in the measure of the contrast between China's superficial impotence and Japan's superficial potency. In the year 1932 this apparent Japanese potency was indeed impressive, and this not only when it was thrown into relief against a Chinese foil. While with one hand Japan was coercing China by military force, with the other hand she

¹ From the article (cited above) by Sir John Hope Simpson, in *The Times*, 12th September, 1932.

² At this time it was a common saying that the apparently insoluble problem of effecting a durable political union between the Yangtse Valley and the Southern Seaboard would be solved on the morrow of the completion of the railway between Hankow and Canton. Sceptical critics remarked, however, that the trunk lines already in existence in other parts of China had not led to political union, but had rather provided facilities for civil wars, and that the building of railways before roads in China was one example of the disequilibrium into which her life had been thrown by the impact of the West.

was holding at bay, by diplomatic intransigence, the entire world, including the United States and the U.S.S.R. as well as all the States Members of the League of Nations. Though there were probably no Powers in the World in 1932 which did not politically deplore and morally condemn Japan's behaviour in their heart of hearts, there was certainly no Power bold enough to translate its disapproval into action—not even into the negative action of breaking off diplomatic relations or financial and economic intercourse. Japan's show of strength seemed to proceed from a national unity which at first sight was as remarkable as China's national discord. Yet in Japan, as in China, in the year 1932, a closer inspection gave a different impression from the first glance; and there was this significant difference between the aspects of the two countries, that on this closer inspection the appearance of China perceptibly improved while, under the same magnifying lens, the appearance of Japan deteriorated.

In the preceding volume our examination of the antecedents of the Japanese military *coup* of the 18th–19th September, 1931, in Manchuria has brought out the fact that the *volte face* in Japanese policy, which this *coup* proclaimed, was a political reaction to economic stress.¹ Some pathological condition is indeed almost certain to come to light when an individual or a nation runs amok; and in the course of the year 1932, while Japan was running amok with at least temporary impunity both in China and at Geneva, the pathological symptoms were multiplying in the Japanese body-social. Their most sensational manifestations were in politics, their gravest in economics and in finance.

In the preceding volume² it has been mentioned that on the 13th December, 1931, the Minseito Cabinet of the day was replaced by a Seiyukai Cabinet, with Mr. Inukai as Prime Minister, and that the new Government placed an embargo upon the export of gold on the day on which it assumed office. The late Government, which had been in office since July 1929 and had been re-confirmed in office by the results of a general election held in February 1930, still commanded its old majority in the Diet; and the Diet was not even in session when it fell. The replacement of the Liberal by the Conservative Party in these circumstances was an indication that in Japan, as in China, parliamentary government was still an unacclimatized and tender exotic;³ but the demonstration was soon to take a violent form; for the financiers and industrialists who were the nucleus of

¹ See the *Survey for 1931*, pp. 399–405.

² *Op. cit.*, p. 459.

³ See an article from the Tokyo correspondent of *The Times* which was published on the 16th January, 1932.

the Seiyukai Party were not the driving force behind the new movement in Japanese politics. The departure from the Gold Standard, by which they had promptly signalized their unexpected advent to power, was no doubt advantageous to the interests which they represented, but their actual or supposed success in turning this measure of public finance to their private profit was counted against them for unrighteousness by the new political force which was rapidly rising to power in Japan on the wings of the economic storm that was sweeping over the world at this time—Japan included. And the return of the Seiyukai with a majority in the Diet of 136 over all other parties, as the result of a general election which was held on the 20th February,¹ did not save the Conservative parliamentarians from going the way of their Liberal *confrères* less than three months later.

The new driving force which was forcing its way to the front—or, rather, to the surface, since it was rising from below upwards—was hostile to parliamentary politicians of all complexions; and it was also hostile to the bourgeois urban civilization of the industrial and financial ‘capitalists’, for which this parliamentarism was conceived to stand. This force was the Japanese Army; and the Army regarded itself as the champion of the Peasantry,² which had been reduced to the condition of a desperate rural proletariat by the recent catastrophic fall in the world-prices of its crops in combination with the economic recoil of an over-population and over-cultivation of the Japanese countryside that had already been showing itself in the shape of diminishing returns. Since the rural population still constituted 52 per cent. of the population of Japan at this time, notwithstanding the recent rapid increase in the urban population of industrial workers, and since the Japanese Army was recruited by universal conscription, the rising generation of the rural proletarians formed the backbone of the rank and file. The straits of the soldiers and their families were well known to the junior ranks of the corps of officers (who, to their credit, were in humane relations with their men, and who, for that matter, were themselves drawn from a relatively humble stratum of society); and the political movement which the spectacle of agrarian misery evoked among the young officers had the tacit sympathy and approval of their superiors. The senior officers of the Japanese Army were as ready as the rank and file to profit by the fruits of the younger officers’ zeal; but since

¹ The figures were: Seiyukai 301; Minseito 149; Labour 5; others 11.

² Compare the relations between the peasants and the soldiers in the Russian Revolution of A.D. 1917 and in the Roman Revolution in the third century of the Christian Era.

the seniors kept themselves in the background out of prudence, while the rank and file remained passive through helplessness and inexperience, it was left to the younger officers to play the part of spearhead (or, in less romantic language, to use the assassin's knife or bomb or bullet) in the military-agrarian outbreak.

In Western terms this outbreak was a 'Fascist' or a 'National-Socialist' movement. The foundation of a Japanese National-Socialist Party, consciously formed on these Western models, was in fact proclaimed on the 16th April, 1932, by the *ci-devant* secretary of the Japanese Social-Democratic Party, Mr. Akamatsu. And this imitation of Western models by a Japanese movement which dreamed, in its more exalted moments, of breaking with the Westernizing policy of the past three-quarters of a century and reverting to the Tokugawa policy of isolation, showed in a flash how muddle-headed—though apparently well-intentioned—this Japanese 'youth movement' was. A more glaring exhibition of the same intellectual inconsequence was the insistence of the new military masters of Japan upon an ambitious expansion of Japanese armaments—in apparent ignorance of the fact that, in committing themselves to this policy, they were binding their poor country with still heavier chains than before¹ to that Western system of 'capitalism' and industrialism which they were denouncing in the same breath as their country's bane. For those who had eyes to see, this commitment was manifest in the figures, and the expedients, of the next Japanese national budget.²

Had these young 'Fascist' Japanese officers been merely muddle-headed idealists, the havoc wrought by their advent to power would still no doubt have been very great; but unhappily in Japan the tradition of the Samurai taught that political crimes of violence were not inconsistent with either idealism or honour so long as the criminal was inspired by patriotic motives and was prepared to sacrifice his own life as the price of fulfilling his murderous intent.³ Accordingly, the military *pronunciamiento* which was carried through in Japan, in fact though not in form, between the 18th September, 1931, and

¹ In Japan, as in a number of other Oriental countries (e.g. Turkey, Egypt, India, Russia), the adoption of the Western military system (in sheer self-preservation in face of the imperialism of Western Powers) had been the thin end of that wedge of Westernization which had subsequently penetrated to the heart of the Oriental body-social.

² See pp. 429–30 below.

³ Such ideas would still be rife in Japanese minds in 1932, since the popular reading of the Japanese people at this time (e.g. the stuff of the *feuilletons* in the daily press) was the blood-and-thunder history of Japanese feudalism in the Middle Ages—a régime which, after all, had not become obsolete in Japan until A.D. 1868.

the 26th May, 1932, was sped on its way by a succession of political murders.¹

These murders, which were perpetrated by Japanese desperadoes against their own countrymen, must be distinguished from the contemporary outrages committed by Koreans—the attempt to blow up the Emperor of Japan at Tokyo on the 8th January, 1932, and the more successful bomb outrage at Shanghai on the Emperor's birthday (the 29th April).² These Korean crimes were ordinary examples of a well-known form of political retaliation to which a few misguided members of oppressed nationalities have been apt to resort in all times and places. The political murders of Japanese by Japanese, of which there was an outbreak in 1932, were a peculiar manifestation of the Japanese national *êthos*.³

The first victim in this series was Mr. Hamaguchi, the statesman who had formed the Minseito Government in July 1929. Mr. Hamaguchi was desperately wounded by an assassin, while he was in office as Prime Minister, on the 14th November, 1930, and he died from the injuries which he had then received on the 27th August, 1931, on the eve of the military *coup* at Mukden on the 18th–19th September of the same year. Thereafter, a 'Death Band', founded by a Nichiren Buddhist priest and a naval airman who had become acquainted with each other during the London Naval Conference of 1930, successfully assassinated Mr. Junnosuke Inouye (the Minister of Finance in the fallen Minseito Cabinet) on the 9th February, 1932, and Baron Takuma Dan (the General Director of the Mitsui Firm) on the 6th March. These crimes were particularly dastardly, since in each case the actual deed was done by a peasant boy whom the two founders of the band had instigated and armed.⁴

These two crimes might have been regarded as the shocking results of moral aberration in the souls of two individuals if the series had ended there; but it was crowned by other outrages in which young officers were implicated in larger numbers.

It was reported, for example, that on the 4th March, 1932, Dr. Inazo Nitobe, a distinguished Senator and man of letters who had

¹ These have been mentioned, by anticipation, in the *Survey for 1931*, on p. 401, footnote 6.

² See section (iii) (d), p. 511, below.

³ A third category of political crime was represented by an assault which was made upon the United States Consul at Harbin by a Japanese military patrol on the 3rd January, 1932, and an attempt to set fire to the American Consulate at Nagasaki on the 9th May by means of an incendiary bomb.

⁴ The naval airman, who was killed in action at Shanghai on the 5th February, 1932, must bear equal responsibility with the Buddhist priest for having plotted the murder of Mr. Inouye, at any rate.

been an Assistant Secretary-General of the League of Nations at Geneva from 1919 to 1926, was haled out of a hospital in Tokyo, where he was at that time a patient, by five officers in uniform and was carried off to the headquarters of the Army Reservists' Association, where he was compelled to explain away a statement (alleged to have been made by him in a lecture) that militarism was as dangerous as Communism by declaring that he had intended to refer to the Chinese war-lords and not to the Japanese Army. Thereafter, Dr. Nitobe was permitted to leave Japan on a prolonged propaganda tour in the United States; and he was not numbered among the distinguished Japanese Liberals who, in 1932, were done to death.

In the culminating crime of the series, which was perpetrated on the 15th May, 1932, the Prime Minister of the Seiyukai Government of the day, Mr. Inukai, was shot down and mortally wounded in his official residence, and five important buildings in Tokyo were bombed, by members of a band of six young naval officers and eleven students, or ex-students, of the Military Academy.¹ The criminals were all wearing their uniforms; and they entitled themselves 'Young Officers of the Army and the Navy and the Farmers' Death-Band' in a sheaf of handbills that was scattered in the streets by the bombing-parties, several of which did their business in motor-cars. The five places bombed were the Headquarters of the Seiyukai Party, the Headquarters of the Metropolitan Police, the Bank of Japan, the Mitsubishi Bank, and the house of the Lord Keeper of the Privy Seal. Abortive attacks on power stations in Tokyo were made by civilian members of 'The Farmers' Death-Band' simultaneously.² Eight persons in all received injuries in this day's outbreak besides Mr. Inukai, though the Prime Minister himself was the only victim whose injuries were fatal.

These scenes conformed to Japanese tradition in every respect. The assassins, on their side, preserved their personal honour, according to Japanese conventions, by voluntarily presenting themselves for arrest, after they had done their business, at the Headquarters of the Military Gendarmerie.³ And the utmost bravery and dignity was shown by Mr. Inukai and his household when the murderous assault was made. Six out of the eight persons wounded, apart from the

¹ One of the naval officers was a second-lieutenant and the other five were sub-lieutenants. The ex-students of the Military Academy were young men who had been rejected, before the end of their course, as unsuitable for being commissioned.

² Seven arrests on this account were made on the 18th May and ten more on the 5th November, 1932. The reputed leader of this enterprise surrendered voluntarily on the 14th July.

³ According to some accounts, the number of young men who gave themselves up was 18 and not 17.

Prime Minister himself, received their injuries in trying to oppose the entry of the nine desperadoes who were seeking Mr. Inukai's life ; and these six included a maid-servant and a visitor who was in conversation with Mr. Inukai at the moment, as well as four policemen. When the noise of the mêlée and the shooting and the breaking-in of doors penetrated, in advance of the assailants, to the drawing-room where the Prime Minister was sitting, his daughter-in-law, who was in the room, implored Mr. Inukai to take hiding. His response was to open the door for his murderers, face them as they burst in, take them to task, and dare them to fulfil their purpose. And it was in this posture of a Roman Senator confronting the *furor Gallicus* that the Prime Minister of Japan was ruthlessly shot down by a Japanese hand.

On the same afternoon, a retired Army officer who had once been associated with the Death Band responsible for the murders of Mr. Inouye and Baron Dan, and who had latterly severed his connexion with his former associates, was shot and seriously (though not fatally) wounded by a young man who was believed to be a member of the organization.

Baron Makino escaped injury when his house was bombed, because he happened at the moment to be in an inner room. In the small hours of the morning of the 16th. two infantry lieutenants and one second-lieutenant, together with three officers in mufti, presented themselves, armed, at the War Office and demanded an audience with the Minister for War, General Araki. Their demand was refused ; and they were interviewed—but not detained¹—by the Vice-Chief of the General Staff.

Upon receipt of the news, the Cabinet resigned *en bloc*, whereupon Ministers were commanded by the Emperor to remain at their posts pending further orders. Stock exchange transactions were suspended not only in Tokyo but also at Osaka, Kobe and Nagoya. Instructions to suppress any symptoms of agitation in the fighting services were issued by Admiral Osumi, the Minister for the Navy, to the Fleet, and by General Araki, the Minister for War, to all Divisional Commanders of the Army.

This official condemnation of the outrages of the 15th May, 1932, did not mean, however, that the Naval and Military High Commands were unwilling to take political advantage of the resulting situation.

¹ This complacency, on the part of the military authorities, towards military bravadoes contrasted unfavourably with the severity which was shown on May Day, 1932, towards demonstrators of the Left. Some three hundred arrests were made on that day in Tokyo alone.

Their actual intentions were foreshadowed in an inspired article which appeared on the following day in the *Asahi* newspaper of Tokyo:¹

The fact that no military officers were involved in yesterday's incidents shows that the leaders retain the confidence of all ranks, but as the young officers are aware of the country's sufferings, it is doubtful if discipline could be maintained if the high officers were associated with the politicians who lack the country's confidence. The nation should therefore get rid of corrupt party governments and demand a strong national government able to cope with the present situation. The Army cannot approve a continuation of the Seiyukai Cabinet nor a party coalition.

In the ensuing negotiations for the reconstruction of the Government the Army did, in fact, impose a veto upon even the formal return to power of the politicians of either party; and they were able to make this veto effective, not only *de facto* but also *de jure*, in virtue of the requirement in the Japanese Constitution that the Minister for the Navy and the Minister for War must be officers on the active list who had been recommended for ministerial office by their respective services. Nor was the Army's intervention in politics at this juncture merely negative, for it also laid down the condition that whatever new Government took office must take energetic and effective steps for the relief of the agricultural proletariat. The Army had its way. For, on the 22nd May, on the recommendation of Prince Saionji, the last survivor of the Elder Statesmen, the Emperor commanded Admiral Saito, a former Governor-General of Korea, to form a Ministry, and the Admiral accomplished his task, in a manner satisfactory to the Army, on the 26th. In his previous post in Korea, the Admiral had stood for a relatively moderate and liberal-minded policy; but in his new and officially more exalted office at Tokyo it was his rôle to mask, without hiding, the inauguration of a military régime.

The Japanese Army found it easier to seize political power than to achieve the purposes for which they had sought it.

A conference of Prefectural Governors which was convened in Tokyo by Admiral Saito's Government in July 1932 to discuss the problem of rural distress was apparently inconclusive; and in August public feeling was excited by the announcement of a threat on the part of Count Koken Tanaka (an ex-Minister of the Imperial Household, who was at this time ninety years old) that he would commit suicide unless the Government dealt with this problem effectively. Thereafter, on the 25th August, 1932, Admiral Saito, and his Finance Minister gave notice in the Diet² of rural relief measures which were to cost the Government 175,000,000 yen and the Prefectures 87,000,000

¹ English translation as given in *The New York Times*, 17th May, 1932.

² An extraordinary session of the Diet had been convened for the purpose.

yen—the Government's share to be raised by public loan, and the Prefectures' share to be advanced to the Prefectures by the Government at low rates of interest. The plight of the rural population was, in fact, going from bad to worse; and it was significant that an improvement in the export trade of Japan, resulting from the depreciation of the yen, which declared itself in the second half of the year 1932, was accounted for by an increase in the products of the cities—e.g. cotton goods and artificial silk—while there was a continuous decline in the export of raw natural silk which, before the onset of the world-wide economic depression, had been the economic mainstay of the Japanese countryside. Nor could it be considered sound finance that the rural relief, when granted, should be covered by loans instead of being provided out of current revenue—but on this head Japanese finances were already past praying for, since the Government had already been presenting supplementary estimates, and arranging to cover its additional expenditures by loans, during the eleven months which had elapsed since the beginning of the military adventure on the Continent. On the 14th June, 1932, a supplementary Budget was passed by the Diet providing for an expenditure of 83,000,000 yen, and this did not include the cost of military operations in Manchuria and at Shanghai. Between March and November 1932 special 'Manchurian incident bonds' were issued to a total of 323,701,000 yen. On the 4th September the issue of a loan of 784,000,000 yen was sanctioned, but only part of this loan was floated during the year 1932. New bond issues during the autumn included two issues, of 9,000,000 and 13,594,000 yen respectively, allocated to Korea, and an issue of 30,000,000 yen for railways.

These figures reveal the mounting cost of Japanese naval and military expenditure during a year which saw Japanese military commitments on the Continent extended from the Japanese Railway Zone in Manchuria to the whole of 'the Three Eastern Provinces' of China, not to speak of the still more costly, but only temporary, commitments at Shanghai. In order to estimate the total financial cost to Japan of her continental military adventure up to date, the additional public expenditure on the Army and the Navy has to be taken together with the private losses which were incurred through the consequent Chinese boycott of Japanese trade.¹ It was evident that the losses imposed upon the Japanese national income, and the burdens imposed upon the national Budget, by the Continental military adventure were so heavy that, if there had ever been any

¹ See p. 470 below, footnote, for an estimate of the loss resulting from the boycott down to January 1932.

prospect of effective relief measures for the rural population of Japan before the 18th September, 1931, there was hardly a vestige of any such prospect a twelve-month later. In fact, the Army, in seeking to save the agricultural proletariat *manu et more militari*, had actually dealt it the *coup de grâce*; and in this achievement of the exact opposite of its purpose the Army made manifest its own utter lack of understanding in the economic and the financial sphere.

This economic and financial blindness of the Japanese fighting services was so extreme that, in the economic and financial situation of Japan in 1932, they actually used their lately established control over the Civil Government in order to demand staggering increases in the Naval and Military estimates when the draft Budget for the coming financial year 1933-4 was under consideration in the autumn. After the civil element in the Cabinet had resisted these demands to the utmost of their ability, the Cabinet still found itself constrained, on the 25th November, 1932, to pass a draft Budget which contemplated a total expenditure of 2,237,000,000 yen (as against a figure, in the preceding Budget, of 1,397,000,000 yen). In this new Budget, the allocation to the Army was 447,000,000 yen (as against 189,000,000 yen in the preceding year), to the Navy 372,000,000 (as against 211,000,000), and to the relief of distress at home 207,000,000 yen. The increase of more than 100 per cent. in the Army Estimates was accounted for by an item of 105,000,000 yen for mechanisation (the lowest figure, under this head, to which the Army could be beaten down), in addition to 140,000,000 yen for Continental military operations. The increase in the demands of the Navy, whose requirements for its share in the operations against China were relatively modest, was accounted for in large part by projects for the improvement of naval equipment. The total allocation to the fighting services of 719,000,000 yen may be compared with the total estimated deficit of 896,000,000 yen on a total estimated revenue of 1,341,000,000 yen. The Cabinet proposed to meet the whole of this estimated deficit for the year 1933-4 by borrowing, in addition to the borrowing of 322,000,000 yen which had already been sanctioned in order to cover the actual deficit on the Budget for 1932-3. On the 1st October, 1932, the United States Commercial Attaché at Tokyo reported that, in order to meet their accumulated and anticipated Budget deficits provisionally, the Japanese Government were expected to place bonds to the extent of about 2,400,000,000 yen upon the market.¹

¹ In January 1933 there were five new bond issues, as follows: telephone and telegraph, 15,715,000 yen; roads, 21,306,000 yen; earthquake readjustment, 7,570,000 yen; Budget deficit, 121,066,000 yen; Saghalien, 1,655,000 yen.

This was the political and financial plight of Japan towards the close of the year 1932; and, in contemplating it, a Japanese observer could not console himself by reflecting that at any rate this was nothing compared to the contemporary plight of China, while shrinking from the ordeal of hazarding a comparison between Japan and the Western Powers. The truth was that the contemporary state of the Western Powers, and not the contemporary state of China, was the standard by which Japan had to be judged in 1932, since by this time Japan had gone very far in the process of placing her national life upon a Western basis. Having successfully accomplished this profound—and possibly irrevocable—social transformation, Japan was courting mortal danger in allowing herself to drift into political and financial and economic disorders which might sooner or later prove incompatible with the maintenance of a healthy Western régime. On the other hand China, being still on the threshold of the process of Westernization, was able at this time to commit far greater social follies with far less danger to her national future than was possible for Japan, who had already given her hostages to Fortune.¹

The national prospects of Japan in 1932, as they appeared in the eyes of the world, were indicated in the depreciation of the Japanese currency and in the fall in the prices of Japanese stocks on the world market. When the newly installed Seiyukai Government placed their embargo on the export of gold from Japan on the 13th December,

¹ The English observer already quoted above on p. 419, footnote, comments on the present passage as follows:

'Is not the crux here in the word "Western" ? As a Japanese once remarked to me with regard to this term, there are now three widely divergent "Wests" —the Liberal-capitalist, the Fascist-capitalist and the Soviet-socialist. The Japanese, moreover, have seen in post-war Europe nations surviving external debt-repudiation (Russia; also France—of War Debt), internal wiping-out of debts by inflation, "freezing" of credits &c., &c.; the "West" in fact has presented Japan with a wide choice of more or less disreputable emergency devices in addition to its models of financial orthodoxy. I should not be surprised to see a "Fascist" Japan going far on the path of default and confiscation before yielding to any sort of "economic pressure" exerted from outside. If Japan is ruined in terms of capitalist economies, it does not necessarily mean that she is done for, even though her population suffered severely; under stress of war conditions a people will endure privations inconceivable in peace time—as the Germans did in the Great War. By peace standards the financial situation you describe is no doubt appalling, but hardly so by war-time standards, and it has to be remembered that, whatever they say, the Japanese know themselves to be a nation at war and anticipate more war in the near future. It is unfortunately useless in practice to prove that war is unprofitable, because "war-mindedness" is a condition which, more than any other, seems to have the effect of making most men indifferent to ordinary considerations of profit.'

1931, the yen immediately depreciated to 83·7 per cent. of its gold value; the murder of Mr. Inukai on the 15th May, 1932, was followed by a heavy fall of Japanese values on the stock markets; and by the 25th November, 1932, when Admiral Saito's Cabinet passed the draft Budget for the year 1933-4, the standing of the yen, in terms of its gold value, was no more than 43 per cent. This remorseless downward movement of values, which reflected the opinion of the world, could not be arrested by anything that it was in Japan's power to do: not by victories in the field or by occupations of territory in China; not by political assassinations or by changes of Government at home; not by intransigence at Geneva or by satirical replies to American state papers. For any Japanese who could read the signs of the times, the figures which registered the downward curve in the rate of the Japanese exchange and in the quotation of Japanese stocks must have been just as terrifying as the hapless Belshazzar once found the angel's Writing on the Wall.

(ii) The Year in Manchuria

(a) INTRODUCTORY

DURING the first quarter of the year 1932 Manchuria was eclipsed, in the eyes of the world, by Shanghai as the most important of the local Far Eastern theatres of events in the world-wide disturbance that had been produced by the outcome of the Japanese military *coup* at Mukden on the night of the 18th-19th September, 1931. The Japanese military operations at Shanghai were more wanton, more barbarous, more destructive of life and property (notwithstanding their relatively short duration), and, above all, more prominent in the public eye than all the Japanese activities in Manchuria from September 1931 to December 1932. The warfare at Shanghai, however, proved to be an episode which had no immediate result except the negative result of devastation on a large scale; and although the use of the International Settlement by the Japanese naval and military forces as a base of operations for an offensive against Chinese forces in adjoining Chinese territories which were under Chinese administration was doubtless fraught with momentous consequences for the ultimate future of both the foreign settlements at Shanghai, these consequences had not begun to work themselves out before the year 1932 came to an end. Accordingly, during the latter part of the year, Manchuria resumed its place as the principal focus of action and interest in the Far East; and the action in this region in this

year flowed in several distinct channels which it may be convenient to explore in succession.

In the first place, there was a series of Japanese military operations (in continuation of those of the last quarter of 1931, which have been recorded in the *Survey* for that year). These operations completed the Japanese military occupation of the principal cities and lines of communication in 'the Three Eastern Provinces' (though this did not carry with it any effective control over the mountains and steppes and forests, or even over the agricultural countryside, of a region which was equal in area to the combined areas of Germany and France as determined by the Peace Treaty of Versailles). One incidental effect of the northward extension of Japanese military activities on the Continent was to bring the Japanese Army into dangerous proximity to Soviet Russian interests in Manchuria and to Soviet Russian territory adjoining Manchuria, both in the Maritime Province and in Transbaikalia.¹ The second stream of action in Manchuria in 1932 was the reaction of the various elements in the local population—Chinese, Manchus, Koreans, Mongols and White Russians—to the Japanese aggression. Our survey of the year's events in Manchuria will be completed when we have examined the political action of the Japanese in erecting, and eventually recognizing, the so-called independent state of Manchukuo—a political enterprise which was put in hand long before the military operations were completed and before the suppression of banditry was begun. This political farce was played through within the limits of the calendar year. It remains to deal with these several topics in the order in which we have introduced them here.

(b) JAPANESE MILITARY OPERATIONS

In the preceding volume² the history of the Japanese military operations in Manchuria, in their progressive radiation outwards from the South Manchurian Railway Zone, has been carried down to the occupation of Tsitsihar, in a northerly direction, on the 19th November, 1931, and of Chinchow and the outer face of the Great Wall at Shanhaikwan,³ in a south-westerly direction, on the 3rd and the 4th January, 1932. At the opening of the year 1932 the Japanese

¹ In the preceding year the Japanese forces had already encroached upon the sphere of Soviet Russian interests in Manchuria at one point, when they bestrode the Chinese Eastern Railway at Anganki on the 18th November, 1931 (see the *Survey for 1931*, p. 453).

² The *Survey for 1931*, Part IV, section (iii) (b) (2).

³ The walled city of Shanhaikwan, which abutted upon the inner face of the Great Wall, was not occupied by the Japanese Army until January 1933.

were in occupation of all three capitals of 'the Three Eastern Provinces'—i.e. Mukden the capital of Liaoning or Fengtien, Kirin the capital of the province of the same name, and Tsitsihar the capital of Heilungkiang—and they were also in occupation of the greater part of the network of Chinese-owned railways in Manchuria south of the Chinese Eastern Railway. On the other hand, they had so far bestridden the C.E.R. itself at one point only, that is, at Angangki, where it was intersected by the Chinese system of railway-communications between Ssupingkai and Tsitsihar; and they had not yet occupied Harbin, which was the headquarters of the C.E.R. and the stronghold of White Russian as well as Soviet Russian settlement and influence in Manchuria. In fact, the Japanese had so far only trespassed upon the fringes of the two interior provinces of Manchuria—namely Kirin and Heilungkiang—and they had not yet trespassed at all upon the Eastern Inner Mongolian Province of Jehol, which had formerly been united with the three Manchurian provinces under the rule of 'the Young Marshal' Chang Hsüeh-liang. The only province in which they were in general occupation of the railways and cities (though not, even here, of the countryside) was the metropolitan province of Liaoning containing Chang's former capital, Mukden.

The occupation of the pass of Shanhaikwan on the 4th January, 1932,¹ placed the Japanese Army in Manchuria in possession of a point of vantage on their south-western front, with the result that they were able forthwith to liberate part of their forces on the Continent for fresh offensive movements in other directions.² The first advantage of this opportunity that was taken by the Japanese General Staff was to send an expeditionary force to Harbin—a Russian foundation which was already the second city of Manchuria and which was probably destined to surpass Mukden itself in population and importance as the northern part of the country was gradually colonized and opened up.

The Japanese found the occasion for this new military advance in an outbreak of local fighting between their own principal partisan in Kirin Province—a Chinese notable of Manchu extraction, named Hsi Hsia—and those elements of the former provincial army which were still maintaining their resistance to Japanese aggression. By the beginning of the last week of January 1932, General Hsi Hsia

¹ See the *Survey for 1931*, p. 460.

² The relation between the occupation of Shanhaikwan and the expedition to Harbin is brought out in the *Lytton Report*, on p. 78. The account of Japanese military operations, down to August 1932 inclusive, which is given in this section is mainly taken from this authoritative source.

was advancing upon Harbin (which lay within the limits of Kirin Province, the provincial boundary between Kirin and Heilungkiang being the Sungari River); the anti-Japanese forces were standing between Harbin and General Hsi Hsia, with a view to intercepting his advance; and in these circumstances the Japanese and Korean colonies in Harbin, which amounted respectively to 4,000 and 1,600 souls, were declared to be in danger. Thereupon, the Japanese military authorities in Manchuria decided to send a force to Harbin by rail from Changchun, the railhead of the Japanese-owned South Manchuria Railway; and they demanded transport from the Management of the Chinese and Russian jointly-owned Chinese Eastern Railway, to which the Changchun-Harbin line belonged. When the Management of the C.E.R. demurred, the Japanese Army organized and sent forward three military trains over the C.E.R. system without waiting for permission. The advance of this small force was checked by Chinese resistance at Shuangcheng on the 1st February. Thereupon, Japanese reinforcements were brought up, and the Chinese resistance was broken in a decisive engagement on the southern outskirts of Harbin on the 4th and 5th. The city itself was occupied by the Japanese forces on the latter day. In the meantime the Japanese military authorities had reached an agreement with the Management of the C.E.R. that the transport of the Japanese forces over the C.E.R. system should be allowed on the understanding that they were proceeding with the sole object of giving protection to the Japanese nationals in Harbin, and in consideration of their fares being paid in cash. Notwithstanding this agreement, the Japanese occupation of Harbin inevitably increased the strain upon the already strained relations between Japan and the U.S.S.R.

The whole course of Japanese policy and conduct in Manchuria since the 18th September, 1931, had aroused alarm in the U.S.S.R., which was the country most closely affected, next to China herself. Soviet Russian suspicions of Japanese intentions had been further intensified by the unwillingness of the Japanese Government to entertain a suggestion for the negotiation of a Russo-Japanese non-aggression pact—a suggestion which had been submitted by the Soviet Government to Mr. Yoshizawa when that Japanese diplomatist was passing through Moscow on the 31st December, 1931, en route from Europe to Japan in order to take up the post of Minister for Foreign Affairs at Tokyo. Accordingly, when the Government at Moscow received a report that the Japanese military authorities in Manchuria had asked the Management of the C.E.R. for seventeen trains of fifty wagons each for transporting Japanese troops eastward

along the main line of the C.E.R. from Harbin to the frontier station of Pogranichnaya at half-price, they asked, on the 24th February, 1932, for an explanation from the Japanese Ambassador; and authorization was not granted until the Japanese Government had given assurances that they only desired to transport a limited number of troops—and this not to the frontier but only to Imienpo or to Hailin at the furthest—for the local protection of Japanese nationals, and that the Japanese Army would not violate the rights of the Soviet Government on the C.E.R.

The Soviet Government had not forgotten that, in the year 1918, Japanese troops had penetrated into Russian territory as far west as Lake Baikal, and that, while the other Allied and Associated Powers had withdrawn their military forces from Russian territory in the Far East by September 1920, it had required the combined diplomacy of the English-speaking Powers at the Washington Conference to induce the Japanese to evacuate the Russian Maritime Province on the Pacific Seaboard by November 1922.¹ Now that the Japanese had resumed an aggressive policy on the Continent on the grand scale, it was inevitable that the Soviet Government should fear that the Japanese Army might seek to round off its successive occupations of Southern and Northern Manchuria by overrunning the Russian Maritime Province into the bargain; for Vladivostok, the administrative capital of the Province, was also the maritime terminus of the C.E.R. and therefore the principal port for the northern half of the Manchurian hinterland. Moreover, the Japanese policy of officially masking Japanese Imperialism behind a political façade of native autonomy—a policy which was already being put into practice in the erection of a so-called 'Manchu' republic in Manchuria,² was applicable with greater ease and greater plausibility in the Russian Maritime Province, since there was a substantial Ukrainian element in the population of the Province, while Northern Manchuria harboured some 100,000 White Russian refugees, whose straitened circumstances in exile, and bitter hostility to the Communist régime in Russia, might make them ready to serve as tools in Japanese hands if the Japanese military authorities should decide to use them for the purpose of establishing a pendent to 'Manchukuo' in the shape of an anti-Communist Russian or Ukrainian republic in the Maritime Province under a Japanese military aegis. These fears led the Government at Moscow to strengthen their forces in the Maritime Province during the winter months of 1932 as

¹ See the *Survey for 1920-3*, Part VI, section (ii).

² See section (ii) (d) below.

an insurance against the risk of a Japanese invasion in the spring.¹ In a speech to the troops which was delivered at Khabarovsk on May Day 1932 by General Blücher (Galentz), the commander of the Soviet Russian forces in the Far East, the speaker was reported to have said that 'the flames of a real war are beginning to flicker near our frontiers' and that the Red Army would 'prevent any alien foot from trampling on the soil of the collective farms'.² Meanwhile, the Japanese military authorities had evidently decided not to try conclusions with the U.S.S.R., at any rate for the time being. For, in a public statement of the 18th April, 1932,³ the Japanese Commander-in-Chief on the Continent, General Honjo, declared that so far Russia had 'not attempted to upset conditions within Manchuria nor to foment disturbances there', and that the Japanese would 'take no steps antagonistic towards the Soviet[s] unless Russian agents' meddled 'with internal affairs in Manchuria'. In the last week of May, the same assurances were repeated in more emphatic terms by Mr. Matsudaira, the Japanese Ambassador in London, in an interview which he gave at Geneva to the correspondent of a German newspaper.⁴

In the event, the Japanese Army in Manchuria employed its energies in other directions during the next few months. In the latter part of March and the early part of April, an expeditionary force based on Harbin was operating down the Sungari River as far as Sanhsing, while only minor operations were being carried out along the line of the C.E.R. in the direction of Hailin. In the early part of May the Japanese Fourteenth Division was transferred to Manchuria from Shanghai,⁵ and part of this reinforcement was used for the penetration of the Mutan Valley, between Sanhsing on the Sungari and Hailin on the C.E.R. But the principal operation on which the Fourteenth Division was employed was a spring campaign, in the plains north of Harbin, against the forces of General Ma Chan-shan.⁶ This campaign was opened towards the end of May and culminated early in August 1932 in the momentary dispersal of General

¹ The policy of the Soviet Russian military authorities in this matter seems to have been to increase the mechanical equipment of their Army in the Far East—aeroplanes and tanks and lorries—to the utmost possible extent, while keeping the personnel as small as possible in order not to aggravate unnecessarily the difficulty of maintaining the food-supply in this remote district. (See *The Manchester Guardian*, 17th May, 1932.)

² *The New York Times*, 5th May, 1932.

³ See *The New York Times*, 16th May, 1932.

⁴ For Mr. Matsudaira's interview with Dr. M. J. Larsons of the *Dortmunder Generalanzeiger*, see *The Manchester Guardian*, 28th May, 1932.

⁵ See p. 513 below.

⁶ For the previous hostilities between the Japanese and General Ma, see the *Survey for 1931*, pp. 450–3.

Ma's forces and the reported death of their commander. General Ma, however, was to display, in the sequel, as remarkable a capacity for resurrection as his less amiable contemporary, Simko the Kurd.¹

In July and August, there was also some desultory fighting on the south-western front in the fringes of the Province of Jehol. The operations were represented in the Chinese version as having been on a larger scale than the Japanese version admitted; and the Chinese also accused the Japanese of having taken the offensive without provocation, whereas the Japanese declared that their action had been provoked by the kidnapping of a Japanese staff-officer named Ishimoto in Jehol territory, on the Chinchow-Peipiao Railway, on the 17th July, 1932. In the light of 'the Nakamura Incident' of the preceding year,² this apologia for an extension of Japanese military activities in this quarter might seem ominous. In the event, however, the year closed without any Japanese occupation either of Chinese territory in Jehol or of Russian territory in the Maritime Province or in Transbaikalia.

There was, however, another Japanese campaign in Manchuria towards the close of the year 1932 which brought the Japanese forces into direct proximity to the Manchurian-Transbaikalian frontier at the point of junction between the C.E.R. and the Siberian railway-system at Manchuli. In this direction, the Japanese Army itself had not yet advanced beyond Anganki and Tsitsihar; and the region between the Great Khingan Mountain Range and the Sino-Russian frontier, which here followed the course of the River Argun, was in the hands of a certain General Su Ping-wen, who was ruling it in the name of the Manchukuo. On the 27th September, 1932, General Su's troops threw off their allegiance to the Manchukuo, made themselves masters of the Manchurian frontier town of Manchuli, and seized some 200 Japanese residents in Manchuli, including the Japanese Consul, as hostages.

Su's action placed the Japanese in a quandary; for they were deterred from attacking him out of consideration for the safety of their nationals whom he held in his power and in view of the remoteness of the region from their base of operations, but above all, perhaps, by an unwillingness to arouse the alarm and hostility of the Soviet Government still further by a Japanese military advance into a territory that bordered on the heart of Siberia. On the other hand, if they allowed Su's act of defiance to pass unrequited, they ran the

¹ For the successive avatars of Simko, see the *Survey for 1925*, Vol. I, pp. 538-9; the *Survey for 1928*, p. 343, and the *Survey for 1930*, p. 331.

² See the *Survey for 1931*, p. 437 and *n*.

risk of losing 'face' and of seeing this part of Northern Manchuria become—as the adjoining Chinese dependency of Outer Mongolia had already become—a Russian protectorate. The Soviet Government, on their part, were equally unwilling to see the Japanese Army given a pretext for crossing the Great Khingan Range; and accordingly the Soviet Russian authorities on the spot took steps to ease the situation. Before the end of October the Soviet Russian Consul at Manchuli persuaded General Su to release the women and children—110 persons in all—among his Japanese captives and to allow them to cross the frontier into Russian territory—whence they were eventually repatriated via Vladivostok. Thereafter, in November, the Soviet Government allowed the Japanese Government to send a mission by air to Dauria, in Russian territory, with a view to negotiating there, on neutral ground, with General Su for the release of the remainder. This mission, however, was abortive, since General Su did not put in an appearance; and thereupon the Japanese resolved at last to resort to military measures. The Japanese advance north-westward from Fularchi (a station on the C.E.R. just west of the Nonni River) began in the first days of December; and it met with as little resistance as the Russian military movement in the same region, but in the opposite direction, had encountered three years earlier.¹ By the 5th December the leading Japanese armoured train had rushed the tunnel through which the C.E.R. traversed the Khingan Range; and by the same date General Su and his troops had fled by train from Manchuli into Russian territory, where they were duly interned.² The remaining Japanese hostages arrived safely in Russian territory at the same moment. By the end of the first week in December traffic was resumed on the north-western section of the C.E.R. after an interruption that had lasted rather more than two months.

This was the end of the last resistance to the Japanese in Manchuria on the part of the regular Chinese military forces. On the other hand, the Japanese were still being successfully held at bay by irregulars in the forest-clad, mountainous eastern half of Kirin Province; and bandits, well trained to their profession and sometimes also well equipped, were springing up all over the country in the Japanese Army's rear. This new guerrilla warfare was the most important of the reactions of the various elements in the population of Manchuria against the Japanese occupation; and its nature and its strength can best be gauged when it is examined in this setting.

¹ See the *Survey for 1929*, pp. 359–63.

² A Japanese demand for the extradition of General Su Ping-wen was rejected by the Soviet Government.

(c) THE REACTION OF THE VARIOUS ELEMENTS IN THE POPULATION OF MANCHURIA TOWARDS THE JAPANESE OCCUPATION

At the time of the Japanese military occupation of 'the Three Eastern Provinces' of the Chinese Republic in the years 1931-2, the total population of the country was estimated to be about 30,000,000; and of these about 28,000,000 were estimated to be either Chinese or Sinified Manchus.¹

The southern part of Manchuria, in the lower basin of the River Liao, had been inhabited by a Chinese population since time immemorial. The Chinese colonization of the centre and the north had begun in the last quarter of the nineteenth century of the Christian Era; and it had been accelerated by the construction of railways, which provided easy and rapid transport, and by the removal of a political ban that had been designed to hold the populations of Manchuria and of intra-mural China apart from one another in order that the former might remain a ruling and the latter a subject race under the Manchur régime. The latter-day Chinese immigration into the interior of Manchuria, which flowed principally from the populous province of Shantung, just across the Gulf of Chihli, had reached its height in the years 1927 and 1928, when the contrast between the peace and prosperity of Manchuria and the anarchy and misery of intra-mural China—a contrast which had been conspicuous since the early days of the Chinese Revolution—was particularly acute.² Thereafter, the inflow of intra-mural Chinese immigrants into Manchuria had been sharply checked by the political uncertainty and economic set-backs which were the consequences of the Sino-Russian conflict in Manchuria in 1929.³ A further set-back was caused by the onset of the world-wide economic depression, which was felt severely in countries like Manchuria that depended for their economic well-being upon the export in bulk of one or two raw materials or food-stuffs. The last blow was the Japanese military *coup* of the 18th-19th September, 1931, which had the immediate effect of converting the Chinese inflow into an exodus. But the Chinese *émigrés* from Manchuria in 1931-2 were mainly people of substance and position, whose importance was out of proportion to their numbers; and these numbers were not sufficient to affect perceptibly the numerical ratio between the various elements in the population of Manchuria, which remained, as before, overwhelmingly Chinese.

The non-Chinese minority of the population, which amounted,

¹ *Lytton Report*, p. 25.

² See the *Survey for 1928*, p. 435.

³ See the *Survey for 1929*, Part IV A, section (iv).

even in the aggregate, to no more than a fifteenth of the whole, was further weakened by being divided among no less than five distinct, and in some cases mutually hostile, communities: the unassimilated Manchus (in so far as these survived at all); the White Russians (about 100,000) and Soviet Russians (about 50,000), who were at daggers drawn; the Japanese (about 230,000) and Koreans (about 800,000) who were estranged from one another by Korean resentment at the domination of Korea by Japan, though in Manchuria the two peoples were brought together to some extent by their common fear of the Chinese majority;¹ and lastly the Mongols, who held aloof from all the rest.

These minoritarian communities were distinguished from one another not only by differences of race and nationality, but also by differences of social type and economic occupation.

The Koreans were the only non-Chinese community that was in serious competition with the Chinese for the agricultural occupation of the Manchurian countryside. The competition was not yet serious in terms of numbers; for although the Koreans in Manchuria were considerably the largest of the non-Chinese communities, their numerical ratio to the Chinese was only about 1 to 35. They were formidable competitors, nevertheless, in virtue of a technique of rice-cultivation which the Northern Chinese immigrants were unable to emulate, and which was capable of supporting a denser agricultural population than the cultivation of other cereals. The hostility between Koreans and Chinese in Manchuria, and the part played by this factor in precipitating the Japanese military *coup* of the 18th-19th September, 1931, has been touched upon in the preceding volume.²

The Japanese and the Russian communities (both White and Red) in Manchuria were almost exclusively urban; and they were concentrated geographically in the railway-zones and railway-towns. The hostility between the local Japanese and the Chinese was greater than it was between any two other communities in the country, not excluding the White and Red Russians. On the other hand, between the Russians and the Chinese, in spite of the much greater difference in physical race, there was more mutual tolerance and even understanding, and more give and take, both in manners and customs and in mingling of blood, than between any two other local communities except the Chinese and the Manchus.

The Manchus were originally a hunting and rudimentarily agricul-

¹ For the three-cornered relations between Chinese, Japanese and Koreans in Manchuria, see the *Survey for 1931*, pp. 432-4.

² See the *Survey for 1931*, pp. 434-5.

tural tribe of barbarians, living in the forests and mountains of Eastern Kirin, who had shown a strong proclivity towards the Chinese Civilization ever since they first began to be irradiated by it. They were already largely Sinified before they began to conquer intra-mural China in A.D. 1628, and indeed before they annexed the ancient Chinese domain in Southern Manchuria in 1616. In fact, the ease and rapidity with which they achieved the greater part of their conquest of intra-mural China was largely due to their statesmanship in taking their Manchurian Chinese neighbours into partnership on an equal footing with themselves and enlisting the military and political services of these extra-mural Chinese for the subjugation and domination of China Proper. Since the overthrow of the Manchu Dynasty at Peking in A.D. 1911, the Manchu-Manchurian and Chinese-Manchurian 'Bannermen' of the fallen régime had alike forfeited their social and political privileges; and the Japanese policy, in 1932, of calling their fictitious independent republic in Manchuria 'Manchukuo', and procuring Mr. Henry Pu Yi, the *ci-devant* Manchu Emperor of China who had been deposed in 1911, to be this fictitious republic's executive head, was intended to win the support of the Manchus for the Japanese occupation. But except, perhaps, in respect of one or two Manchu notables (e.g. the General Hsi Hsia who has been mentioned above)¹ this intention was not fulfilled. For the Manchus had had no quarrel with the Manchurian Chinese, who had been their neighbours for two thousand years and their partners in the domination of intra-mural China for three centuries. And, while they would doubtless have been gratified if, by some miracle, the Manchu régime in China could have been revived, they were content, as a *pis aller*, with the *de facto* autonomy which the Manchurian provinces had enjoyed since the Chinese Revolution; and it was no consolation to them at all to see their country fictitiously compensated for the loss of its former dominion over China by falling, in its turn, under the domination of Japan.

The only two communities in Manchuria whose support the Japanese had any prospect of enlisting were the White Russians and the Mongols; and even these two communities, so far as they committed themselves to the Japanese at all, were being driven by *force majeure* rather than led by any sense of a genuine and enduring common interest.

The White Russians were at the mercy of the temporary masters of Manchuria, whoever these might be, because they were helpless exiles, with no country of their own to fall back upon. It was as

¹ See p. 434 above.

difficult for them to rebuff Japanese overtures or reject Japanese demands (had this been their desire), as it was for the Anatolian Circassians to offend the Greeks during the Greek military occupation of Western Asia Minor in 1919-22, or for the Syrian Circassians and Armenians to offend the French during the French military occupation of Syria, under the Mandate, which began in 1920.¹

As for the Manchurian Mongols, they were in the same position as the Manchus in having been lords and masters of China at an earlier date. And although the Mongol Empire was a less recent memory than the Manchu—the Mongol Dynasty at Peking having fallen in A.D. 1368 and the Manchu only in A.D. 1911—nevertheless the Mongol memory of an imperial past was hardly less vivid, because the Mongol Empire had been so much greater than the Manchu Empire in its day.² For the rest, the respective histories of Mongol and Manchu relations with China and with the Chinese Civilization had been utterly different. The Manchus had readily become Sinified because, at the time when they encountered the Chinese, they were still indeterminate barbarians with no distinctive social system of their own. The Manchus, in fact, were mere backwoodsmen in whose lives the Chinese culture filled a social and spiritual vacuum. The Mongols, on the other hand, at the time of their first encounter with the Chinese, were already ancient converts to an alien and antipathetic civilization—the nomadism of the Eurasian Steppe—which is one of the most rigid and distinctive social systems in the world.

When nomadism collides with a sedentary civilization, there is seldom or never any assimilation or even any give and take. The usual outcome is for the stronger party, whichever that may be at the time, to drive the weaker off the field. In the twelfth and thirteenth centuries of the Christian Era, the nomads, under Mongol leadership, had prevailed simultaneously over all the sedentary societies round the coasts of the great Eurasian Steppe: in China, in the Islamic World and in Russia alike. Thereafter the tide had turned; and the domain of the nomads in Eurasia had been cut short by a converging movement of the surrounding peoples. In this encroachment of agriculture upon nomadism, the lead had been taken by the peasantry of Russia and China; and Manchuria was the place where these two great movements of agricultural colonization had completed their encirclement of the Steppe. When the Japanese appeared upon the

¹ On this point, see the *Survey for 1925*, Vol. I, pp. 435-7.

² The Manchu Empire had never extended west of the Pamirs and the Altai, whereas the Mongols had carried their Empire to the Indus and the Persian Gulf and the Euphrates and the Halys and the Danube and the Carpathians and the Baltic.

scene as military conquerors in 1931-2, a Russian and a Chinese (or Sinified Manchu) peasantry marched with one another in the basin of the Amur. The ploughman was driving out the herdsman even from the plains which the Mongols had formerly monopolized for their cattle-pastures; and this process was taking place perhaps more rapidly than ever before during the decades immediately preceding the Japanese military occupation. Down to the fall of the Manchu Empire in A.D. 1911, the Mongols had remained masters of the plains on the south-eastern as well as on the north-western flank of the Great Khingan, right up to the Willow Palisade which had once defended, and then still defined, the ancient Chinese Pale in the lower basin of the Liao River, round Mukden. By the year 1932 the northward and westward advance of Chinese peasant colonization had reduced the Mongol domain in 'the four North-Eastern Provinces' of the Chinese Republic to three isolated enclaves: the reserves of the Chosatu and Chaotu Leagues in Jehol, of the Cherim League in northern Liaoning (or Fengtien), and of the Barga League¹ in north-western Heilungkiang, on the western flank of the Great Khingan. Of these surviving local Mongol communities, the Cherim League was perhaps the weakest; for its pasture-lands lay right in the path of the Chinese agricultural colonization, and the northward extension of Liaoning Province since the beginning of the Chinese Revolution had been carried out almost entirely at the Cherim Mongols' expense. For converse reasons, the Barga Mongols were perhaps the strongest community of the four in question, since they were the furthest removed from the Chinese thrust and the most closely in touch with the main body of the Mongol people in Outer Mongolia.

It will be seen that, at this time, the Mongols, at any rate in Manchuria, had their backs to the wall; yet they could not altogether be left out of political calculations as a negligible quantity. Though they were numerically weak and technically ill-equipped (if technique be measured on the standards of our Western Civilization), they were still strong in the traditional practice of a distinctive way of life which was nicely adapted to the physical environment in which they lived. Though they were not armed with modern Western weapons, they had a traditional military organization and discipline which gave them social cohesion. And the psychologically depressing effect of their present political adversity was at least partially counteracted in their minds by the living memory of a great political past. In the stubbornness of their temperament, the Mongols were the equals of

¹ For the Barga Mongols and their rôle in the Sino-Russian conflict of 1929 see the *Survey for 1929*, p. 368.

the Japanese. It remained to be seen how the Japanese intrusion upon the Manchurian scene would be taken by these Mongol children of Ishmael. They might welcome the Japanese as allies ; or they might prefer to hold aloof and fight for their own hand while the various representatives of the sedentary civilizations pursued their internecine warfare on the Mongols' stolen pasture-grounds.

These, in outline, were the positions and attitudes of the several communities in Manchuria in 1932. We have now indicated to what extent, if at all, the Japanese might expect support from the non-Chinese minority.¹ We have next to trace the course of the reaction of the Chinese majority in Manchuria, which accounted, as we have seen, for fourteen-fifteenths of the population of the country.

The feeling of the Chinese population was one of the main questions which the Lytton Commission set themselves to study.² A frank expression of genuine opinion was, no doubt, difficult to obtain from a population which was living, at the time, at the mercy of the Japanese Army ; yet, in spite of the difficulty of conducting their investigation,³ the Commission succeeded in obtaining a mass of first-hand evidence and arriving at a clear conclusion. The upshot of their inquiry is summed up in the fact that, out of 1,550 letters received from Manchurian Chinese 'farmers, small tradesmen, town workers and students', in which the writers described their feelings and experiences, 'all . . . except two were bitterly hostile to the new "Manchukuo Government" ⁴ and to the Japanese.' And 'they appeared to be sincere and spontaneous expressions of opinion'.⁵

The feelings of the principal classes of the Chinese population in Manchuria—particularly as these feelings were revealed by the 'acid test' of the attitude towards 'Manchukuo', were analysed by the Commission as follows :

The Chinese business-men and bankers who were interviewed by us were hostile to 'Manchukuo'. They disliked the Japanese ; they feared for their lives and property, and frequently remarked: 'We do not want to become like the Koreans'. After September 18th, there was a large exodus of business-men to China, but some of the less rich ones are now returning. Generally speaking, the smaller shopkeepers expect to suffer less from Japanese competition than do the larger merchants and manufacturers, who often had profitable relations with the former officials. Many shops were still closed at the time of our visit. The increase in banditry adversely affected business in the countryside, and the machinery of credit has largely broken down. The announced Japanese

¹ The foregoing sketch of the attitude of the minoritarian communities is largely based on the *Lytton Report*, pp. 110–11.

² See *op. cit.*, p. 107.

⁴ See section (ii) (d) below.—A.J.T.

³ See *op. cit.*, *loc. cit.*

⁵ The *Lytton Report*, *loc. cit.*

intention to exploit Manchuria economically, and the numerous visits of Japanese economic missions to Manchuria in the last few months, have caused apprehension among Chinese business-men, in spite of the fact that many of these missions are reported to have returned to Japan disappointed.

The professional classes, teachers, and doctors are hostile to 'Manchukuo'. They allege that they are spied upon and intimidated. The interference with education, the closing of Universities and some schools, and the alterations in the school text-books, have added to their hostility, already great on patriotic grounds. The censorship of the Press, post and opinion is resented, as is also the prohibition of the entry into 'Manchukuo' of newspapers published in China. There are, of course, Chinese who have been educated in Japan who are not included in this generalization. Many letters were received from students and young people directed against 'Manchukuo'.

Evidence regarding the attitude of farmers and town workers is divergent and naturally difficult to obtain. Opinion among foreigners and educated Chinese was to the effect that they were either hostile or indifferent to 'Manchukuo'. The farmer and worker is politically uneducated, usually illiterate, and normally takes little interest in the Government. The following reasons were advanced by witnesses for the agricultural population being hostile to 'Manchukuo', and were confirmed in some of the letters received from this class of person. The farmers have good grounds for believing that the new régime will lead to an increased immigration of Koreans, and possibly of Japanese. The Korean immigrants do not assimilate with the Chinese, and their methods of agriculture are different. While the Chinese farmer mainly grows beans, kaoliang and wheat, the Korean farmer cultivates rice. This means digging canals and dykes and flooding the fields. If there are heavy rains, the dykes built by the Koreans are liable to burst and flood neighbouring Chinese land, ruining the crops. There have also been constant quarrels in the past with Koreans over land ownership and rents. Since the establishment of 'Manchukuo' the Chinese allege that the Koreans have often ceased to pay rent, that they have seized lands from the Chinese, and that the Japanese have forced the Chinese to sell their lands at an unfavourable price. The farmers near the railways and towns have suffered from orders forbidding the planting of kaoliang—a crop which grows to ten feet in height and favours the operations of bandits—within five hundred metres of railway lines and towns. The falling-off of the seasonal migration of labourers from China proper, due to the economic depression and accentuated to some extent by the political disturbances, continues. The public lands, usually available on terms to immigrants from China, have now been taken over by 'Manchukuo'.

Since 18th September, 1931, there has been an unparalleled growth of banditry and lawlessness in the countryside, partly due to disbanded soldiery and partly due to farmers who, having been ruined by bandits, have to take to banditry themselves for a living.¹ Organized warfare,

¹ The ruin which was thus brought upon the Chinese farmers in Manchuria by political causes in the year 1932 was aggravated by the disastrous floods

from which Manchuria, compared to the rest of China, had been free for many years, is now being waged in many parts of the Three Provinces between Japanese and 'Manchukuo' troops and the scattered forces still loyal to China. This warfare naturally inflicts great hardships on the farmers, especially as the Japanese aeroplanes have been bombing villages suspected of harbouring anti-'Manchukuo' forces. One result has been that large areas have not been planted, and next year the farmer will find it harder than ever to pay his taxes. Since the outbreak of disorders, large numbers of the more-recently-established immigrants from China have fled back inside the Wall. These material reasons, when added to a certain ingrained dislike of the Japanese, caused many witnesses to tell us that the Chinese farmers, who constitute the overwhelming mass of the population of Manchuria, suffer from and dislike the new régime, and that their attitude is one of passive hostility.

As regards the townspeople, in certain places they have suffered from the attitude of Japanese soldiers, gendarmes, and police. Generally speaking, the behaviour of the Japanese troops has been good, there being no wide-spread lootings or massacres, though we have received in our letters complaints of individual brutality. On the other hand, the Japanese have been vigorous in suppressing elements that they believed to be hostile. The Chinese allege that many executions have taken place, and also that prisoners have been threatened and tortured in Japanese gendarmerie stations.¹

The warfare and the banditry which are referred to in the last paragraph but one of the passage here quoted from the *Lytton Report* were the principal reactions in which the hostility of the local Chinese population to the Japanese military occupation of Manchuria declared itself.² And it was significant that, as the remaining Chinese regular forces in Manchuria were progressively driven off the field by the Japanese Army on the Continent, the vigour and success of the Chinese guerrilla operations steadily increased. There was, indeed, a relation of cause and effect between the two phenomena; for, in chasing Generals Su and Ma and their like out of the bounds of Manchuria and then attempting to garrison the vast new territories thus occupied, in order to prevent their elusive opponents' return, the Japanese were, perforce, immensely extending their lines of communication in a country where the great majority of the civilian population wished them ill. And this gave the Chinese guerrillas in Manchuria ideal conditions for conducting their campaign.

After the dispersal or expulsion of the greater part of the Chinese regular forces in Manchuria in the course of the year, the ensuing

which made havoc, in the August of this year, in the valleys of the Sungari and Nonni Rivers.—A.J.T.

¹ *Lytton Report*, pp. 108-9.

² For the different kinds of Chinese armed forces that were in the field against the Japanese in 1932, see the *Lytton Report*, pp. 81-3.

guerrilla warfare arose in two distinct theatres and in two distinct forms.

One theatre was the forest-covered mountain country of Eastern Kirin, where the Chinese irregulars were able to keep the Japanese Army at bay so effectively that large districts remained outside the sphere of Japanese control altogether.¹ This region was not large compared to the total area of 'the Three Eastern Provinces'; but it was geographically important because it was traversed by the two lines of railway—the long since completed C.E.R. and the still incomplete parallel line from the north-eastern extremity of the Korean coast to Changchun via Kirin—which were the existing and the projected line of communication between the interior of Manchuria and the Sea of Japan. Both these lines afforded a much shorter route between the interior of Manchuria and the outer world—and particularly between Manchuria and Japan—than the route which was served by the Japanese-owned S.M.R. from Changchun to Dairen. The importance of these short cuts was likely to increase as the centre of population and production in Manchuria gradually shifted northwards from Liaoning Province into Kirin and Heilungkiang. And, for political reasons, the more southerly of the two alternative routes was of particular interest to Japan, since this Changchun-Rashin Railway, when completed, would run entirely through territory that was either Manchurian (whatever the future juridical status of Manchuria might be) or Japanese (in the maritime section of the line in Korea, which was juridically an integral part of the Japanese Empire). The completion of the Changchun-Rashin Railway in the still unbuilt sector, between Tunhua and Laotuku, would thus give Japan a through route between the interior of Manchuria and the Sea of Japan by a short cut that was entirely under her own control; whereas the control over the C.E.R., which she had assumed by enforcing her will upon its Chinese and Russian joint owners, was only of limited value to Japan so long as the extension line which linked the C.E.R. with the coast, between Pogradichnaya and Vladivostok, remained in Russian hands. Since this vital section of railway ran through Russian territory, Japan could not obtain

¹ It may be noted, as one of the curiosities of history, that this district—which was the one district in Manchuria that the Japanese failed to subjugate, in 1932, in the name of their fictitious 'Manchukuo'—was the homeland of the Manchus and the nucleus of the Manchu Empire which had fallen in A.D. 1911. By an equally dramatic historical accident, the decisive battles in the Ottoman Turks' struggle for life and death against the Greeks in 1921 were fought in a district on the north-western rim of the Anatolian Plateau which had been the nucleus of the Ottoman Empire six centuries before.

possession of it without involving herself in a war with the U.S.S.R.—a risk which the Japanese Government shrank from incurring, even in their present reckless mood. Accordingly, the completion of the Changchun–Rashin Railway was one of the first economic enterprises in Manchuria on the Japanese agenda; and the retardation of this Japanese project was perhaps the most important practical result that was achieved by the successful resistance of the Chinese irregular forces in this area.¹

The other theatre in which the Japanese had now to cope with Chinese guerrilla operations was the whole network of railways in Manchuria so far as these were now under Japanese control—not excluding the Japanese-owned S.M.R., which the Japanese railway guards had never failed to preserve from molestation until Japanese policy drove the whole Chinese population of Manchuria into active hostility to the Japanese régime by the *coup* of the 18th–19th September, 1931. In this theatre of guerrilla warfare the conditions were not the same as in Eastern Kirin. In the railway zone there was no district which was altogether in the hands of Chinese armed forces and out of Japanese control. In this theatre, therefore, the Chinese operations took the form of intermittent raids; but these raids were formidable on several accounts. The field of operations was vast; the raiders were mobile and elusive; a certain number of their bands were equipped with machine-guns and even with light artillery; and they boldly attacked the Japanese at vital and conspicuous points where the mere delivery of an attack, even if it was eventually beaten off, was a serious blow to Japanese military prestige.

On the 10th January, 1932, for example, within a week of the Japanese occupation of Chinchow and the pass of Shanhaikwan up to the line of the Great Wall, detachments of Japanese troops were successfully attacked and cut to pieces by Chinese raiders at Lienshan, between Shanhaikwan and Chinchow, and at Tahushan, between Chinchow and Mukden. Simultaneously, a company of Japanese infantry and a party of railway engineers were destroyed at Hsinlintun (a station on the connecting line between the Peiping–Mukden and the Ssuningkai–Taonanfu Railways). Again, on the 29th August, 1932, a daring and largely successful attack upon the Japanese military air-base at Mukden was made by a Chinese guerrilla band with trench-mortars and machine guns. And, in the neighbourhood of the C.E.R., between Harbin and Angangki, was temporarily occupied by raiders on the 29th August, 1932, and the walled city of Fushun

¹ The Japanese had succeeded in completing the construction of this railway by the time when the present volume went to press in 1933.

next day. For the Japanese, Fushun was a sensitive spot, not merely on account of its proximity to Mukden, but because it was the site of the most productive Japanese-owned coal-mine on the Continent. These are characteristic examples of a host of Chinese raids upon Japanese posts in Manchuria which were kept up vigorously throughout the year with a frequency that makes it impossible, within the limits of this *Survey*, to attempt an exhaustive catalogue. Another activity of the raiders was the wrecking and robbing of railway-trains. A typical case was the 'hold-up', on the night of the 11th September, 1932, of a passenger-train *en route* for Harbin on the Changchun-Harbin branch of the C.E.R. A full and vivid record of this particular incident has been preserved because the passengers who underwent the experience happened to include Mr. J. M. Penlington, the Tokyo correspondent of *The Daily Telegraph* of London, and Mr. Henry W. Kinney, an American citizen who for a number of years had occupied the post of adviser to the South Manchuria Railway Company.¹

As the year advanced, the bandits turned their attention with increasing frequency to non-Japanese foreigners as well as to Japanese. On the 7th September, 1932, for instance, three British subjects—Mrs. Pawley, Mr. Corkran, and Mr. McIntosh—were kidnapped on the old race-course at Mukden. Mr. McIntosh managed to escape, but the other two captives remained in the bandits' hands until the 20th October, and were only released after protracted negotiations on terms which the bandits presumably considered to be worth their while. After this incident of the 7th September, the British Consul-General at Mukden issued instructions to British subjects in Manchuria forbidding them to venture outside 'the safety zones'; and on the 15th of the same month the Foreign Office in Whitehall announced that, in view of the prevailing conditions in Manchuria, British subjects going to or from the Far East would be well advised, for the time being, not to incur the risks attendant upon travelling by the Manchurian-Siberian route. Thereafter, on the 12th October, 1932, in Harbin, a British subject, Mrs. C. T. Woodruff, the wife of an official of the British-American Tobacco Company, was shot dead

¹ Mr. Penlington's narrative will be found in *The Daily Telegraph* of the 15th September, 1932; Mr. Kinney's in *The Manchuria Daily News* (published at Dairen) of the 17th September, 1932. The bandits encountered by Messrs. Penlington and Kinney on this occasion did their work thoroughly; for they not only robbed Mr. Kinney of his trousers but they relieved him, into the bargain, of a typescript draft of the Far Eastern Part of *The Survey of International Affairs* for 1931. If the bandits, or their principals, could read English, they may well have found this typescript more agreeable reading than it can have been for their unfortunate victim.

in broad daylight in the principal street of the city while defending her two children against an attempt to kidnap them.

The motives which inspired these aims against non-Japanese foreigners may be presumed to have been partly economic and partly political. On the one hand, criminals driven to desperation by the misery which had descended upon Manchuria in the course of the year may have calculated that Europeans and Americans offered the most promising field for kidnapping operations because they were likely to command the highest ransoms. At the same time, the Chinese kidnappers doubtless took pleasure in 'blackening the faces' of the Japanese in Manchuria by demonstrating, in this sensational fashion, the falsity of the Japanese official claim to have bestowed upon the occupied territories the blessings of law and order.

One of the greatest difficulties which the Japanese encountered in their attempts to cope with banditry and guerrilla warfare was the temper of the Chinese police and Chinese troops who had been enrolled and organized by Japanese officers in the service of the fictitious 'Manchukuo'.

The 'Manchukuo' Police are partly composed of members of the former Chinese police, partly of new recruits. In the larger towns, there are actually Japanese officers in the police, and in many other places there are Japanese advisers. Some individual members of the police who spoke to us expressed their dislike of the new régime, but said they must continue to serve to make a living.

The 'Manchukuo' Army also consists in the main of the former Manchurian soldiers reorganized under Japanese supervision. Such troops were at first content to take service under the new régime provided they were merely required to maintain local order. But, since they have on occasions been called upon to engage in serious warfare against Chinese forces and to fight under Japanese orders side by side with Japanese troops, the 'Manchukuo' Army has become increasingly unreliable. Japanese sources report the frequent defection of 'Manchukuo' forces to the Chinese side, while the Chinese claim that one of their most reliable and fruitful sources of warlike supplies is the 'Manchukuo' Army.¹

The reason for this temper and this conduct on the part of the Chinese armed forces of the 'Manchukuo' will become apparent when we examine, in the next section, the manner in which this fictitious state was erected by the Japanese. We may bring the present section to a close by observing that the position in which the Japanese found themselves in Manchuria at the end of the year 1932 was accurately

¹ *Lytton Report*, p. 108. See also an article in *The Manchester Guardian*, 9th November, 1932, from their correspondent in Japan, and an article, headed 'Khingan, August 1932', by Mr. A. R. Lindt, the special correspondent of the *Journal de Genève*, which was published on the 1st September, 1932.

conveyed to the observer's eye by the continuous lines of barbed wire entanglements and trenches and block-houses which now flanked the permanent way of the railways, and encircled the towns, not only in those parts of Manchuria which had lain outside the Japanese sphere of occupation before the 18th September, 1931, but also in the zone of the South Manchuria Railway, which had previously been in the undisturbed possession of the Japanese for more than a quarter of a century.

(d) THE ERECTION AND RECOGNITION OF 'MANCHUKUO'

BY THE JAPANESE

In the foregoing chapters, the fictitious independent Government in Manchuria which was erected, and finally recognized, by the Japanese, in the course of the year 1932, under the name of 'Manchukuo', has been mentioned from time to time in connexion with the Japanese military occupation of Manchuria and with the reaction which this evoked among the various elements in the population of the country. The record of these affairs makes it evident that this Japanese political make-believe in Manchuria had little effect upon the local situation *de facto*. Throughout the year 1932, as during the last quarter of the year 1931, the Japanese activity which was of paramount importance in Manchuria was the action of the Japanese Army. The erection and recognition of 'Manchukuo' were really only of importance in so far as they were taken by the Japanese Government as a pretext for further encroachments on the spot or for continued intransigence towards the rest of the world; and the Japanese did in fact exploit their own creation in both these ways. Locally, the Japanese authorities made the erection of 'Manchukuo' into an occasion for putting a forcible end to the operations of certain All-China public services—notably the China Maritime Customs, the Salt Gabelle, and the Post Office—in those parts of Manchuria that were under Japanese military control, and also in the Japanese leased territory of Kwantung. In the wider field of international diplomatic negotiations over the Sino-Japanese dispute, the Japanese Government deliberately gave formal recognition to their puppet in Manchuria—and this at a moment when the whole dispute was *sub judice*, pending the publication of the Lytton Report—in order to establish a *fait accompli* which Japan could refuse to reconsider, on the ground that any compromise on this point would be inconsistent with Japanese national dignity. The diplomatic capital which the Japanese thus sought to make out of 'Manchukuo'

is dealt with below in another chapter. In the present chapter, some account is given of the fashion in which 'Manchukuo' was erected, and of the consequent further encroachments upon Chinese sovereignty in Manchuria for which the fiction of a spontaneous local independence movement was made to serve as an excuse.

The official Japanese version of these events was that 'Manchukuo' was the outcome of a spontaneous local movement to fill a local political vacuum; and it is true that there was a political vacuum in 'the Three Eastern Provinces' of the Chinese Republic at the turn of the years 1931 and 1932. But, in order to state the whole truth, the historian must add that this vacuum was the result of Japanese action in overthrowing the previous local régime by force, and that the filling of the vacuum was likewise a Japanese act and was in no wise the work of the local population.

It must also be stated, by way of preface, that Marshal Chang Hsüeh-liang's Government, which the Japanese had overthrown by military force on the 18th-19th September, 1931, had been 'a going concern'. It had been in control of 'the Three Eastern Provinces' (outside the economically and politically important but territorially insignificant area which was included in the Japanese Railway Zone), and also of 'the Special Administrative District' (i.e. the former Russian Railway Zone) and the fourth north-eastern province: that is to say, the Eastern Inner Mongolian Province of Jehol. This local Chinese administration had worked—in a fashion which was alien to the Western administrative and ethical tradition and which was therefore partly puzzling and partly scandalous to Western minds—by a system of personal understandings: between 'the Young Marshal' and the governors of the provinces; between the governors and the local officials; between the officials and the notables; and between the officials and the notables of the one part and the peasants and the brigands of the other. This network of relations was maintained by the traditional Chinese arts of compromise and adjustment and 'give-and-take';¹ and if it is judged empirically by its fruits, and relatively by comparison with contemporary Chinese practice elsewhere, and not *a priori* on the basis of Western practice and of Western preconceptions, its performance will appear appreciably better than it was represented to have been in the retrospective Japanese statement of the case.

On a comparative view, the Mukden Government's standard of

¹ For an illuminating characterization of the difference between the Chinese and the Western method of conducting public affairs, see O. Lattimore: *Manchuria Cradle of Conflict* (New York, 1932, Macmillan), pp. 132-49.

attainment was perhaps as high as that of any other contemporary local Chinese Government with the possible exception of the Shansi Government under the régime of 'the model tüchün' Yen Hsi-shan and the Central Government of Nanking within the radius of its effective authority in the Lower Yangtse Valley. And, in absolute terms, the Mukden Government had substantial achievements to its credit in the settlement of immigrants from intra-mural China upon the land and in the promotion of education—two public activities which, under this régime in Manchuria, were both conducted, and that successfully, on a large scale. In the fundamental matter of law and order it would appear that Manchuria under Marshal Chang Hsüeh-liang's régime, and before the Japanese military occupation, had been more or less free from that species of brigandage which, since the beginning of the Chinese Revolution, had become endemic in large parts of intra-mural China as an inevitable corollary of chronic civil war. In this Chinese civil war, Manchuria was one of the few regions of China that had escaped the disaster of becoming a theatre of military operations. It is true that the civil war had not left 'the Three Eastern Provinces' unscathed; for Chang Hsüeh-liang's father and predecessor Chang Tso-lin (though not Chang Hsüeh-liang himself) had several times succumbed to the temptation of intervening in the conflicts south of the Wall;¹ and the price of these

¹ For Chang Tso-lin's interventions in the civil war in intra-mural China, see the *Survey for 1925*, Vol. II, pp. 310 *seqq.*; the *Survey for 1926*, pp. 249–53, 300; the *Survey for 1927*, pp. 323 *seqq.*; the *Survey for 1928*, pp. 375 *seqq.* For Chang Hsüeh-liang's more pacific and constructive policy towards intra-mural China, see the *Survey for 1930*, Part IV, section (i); the *Survey for 1931*, pp. 406 *seqq.* The Japanese appear to have deprecated Chang Tso-lin's military adventures south of the Wall, and to have made it clear that they would not tolerate any counter-offensive, on the part of Chang Tso-lin's intra-mural opponents, into the Manchurian war-lord's extra-mural domain. To this extent, the Japanese could claim part of the credit for the relatively orderly régime which prevailed in the Chinese-administered territories in Manchuria until this régime was overthrown by the Japanese themselves on and after the 18th–19th September, 1931.

An English student of Far Eastern affairs puts the case as follows in a personal communication to the writer of this *Survey*:

'The Japanese up to 1928 favoured the consolidation of the Chang power and discouraged its opponents by their policy. Thus, in 1925 they frustrated the revolt of Kuo Sung-lin by proclaiming a neutral zone along the S.M.R. (see the *Survey for 1925*, Vol. II, p. 346) and in 1928 they precluded a Nationalist invasion of Manchuria by declaring they would not allow the "Northern Expedition" to pass Shanhaikwan (see the *Survey for 1928*, p. 377). This policy kept the situation much more stable than it was elsewhere in China, quite apart from the abilities of the Changs, and the Japanese would probably have continued it had not Chang Junior gone over to the Nationalists in December 1928 and admitted Kuomintang committees, &c., into Manchuria. In a sense "Manchukuo" is a restoration of the *status quo*

intra-mural military adventures of the Manchurian Army had been exacted from the people of Manchuria in an inflation and depreciation of the local currencies. This evil was serious enough; but it was at any rate a lesser evil than a direct visitation of war with all its attendant calamities: the destruction of buildings, plant and stock; the paralysis of agriculture; and the conversion of farmers into brigands out of sheer desperation. These calamities did descend upon Manchuria, in her turn, after the Japanese military coup of the 18th-19th September, 1931, as has been recorded in the previous chapter; but before that date, under the régime of Chang Hsüeh-liang and his father, Manchuria had not been plagued with brigandage of either the kind or the degree that were characteristic of intra-mural China during the same years. The brigandage that was rife in Manchuria at this period was concentrated on the fringes of settlement; and it was not different in character from the brigandage that had accompanied the advance of a frontier into the wilderness in other times and places: for example, in the nineteenth-century United States and in nineteenth-century Australia.¹

The measure of the effectiveness of Marshal Chang's régime in Manchuria can be gauged by the extent of the social disturbance that was produced when this régime was suddenly swept away by Japanese military action.

As a result of the events of September 18th, 1931, . . . the civil administration of Mukden City and of the Province of Liaoning (Fengtien) was completely disorganized and even that of the other two provinces was affected to a lesser extent. The suddenness of the attack on Mukden, which was not only the political centre of all Manchuria but, next to Dairen, also the most important commercial centre of South Manchuria, created a panic among the Chinese population. Most of the prominent officials, and the leading members of the educational and commercial communities who could afford to do so, left immediately with their families. During the days following September 19th, over 100,000 Chinese residents left Mukden by the Peiping-Mukden Railway, and many who could not get away went into hiding. The police, and even the prison warders, disappeared. The municipal, district and provincial administrations at Mukden completely broke down, and public utility companies for the supply of electric light, water,

ante 1928: that is, Manchurian autonomy with Japanese protection and no Kuomintang. Of course "Manchukuo" is much more of a Japanese protectorate than the pre-1928 régime ever was, but it is not so much of an innovation as it seems; what was really an innovation was the "kuomintangizing" (forgive the word!) of Manchuria from 1929 on.'

¹ According to Lattimore, *op. cit.*, pp. 224-35, the Manchurian frontier brigands were recognized by the local Chinese authorities as having a certain social value as pioneers.

&c., the buses and tramways, and the telephone and telegraph services, ceased to function. Banks and shops kept their doors closed.¹

It was in this vacuum of their own creation that the Japanese proceeded to erect their fictitious 'Manchukuo'. Their method, throughout, was to coerce the most prominent local Chinese notables who proved amenable to coercion into taking action nominally on their personal initiative, but actually at Japanese dictation and under Japanese control. The attitude of the Chinese population of Manchuria towards the Japanese seizure of the country has been indicated above,² and it has been noticed that this attitude was shared by the Chinese who took service in the 'Manchukuo' Police and the 'Manchukuo' Army.³ There is no reason to believe that there were any different feelings towards Japan in the hearts of the Chinese notables and officials who lent their names to 'Manchukuo' in more prominent roles. And if it is asked why these Chinese notables were willing to serve Japanese purposes in this more prominent way, the answer is that they were amenable to coercion in proportion to the wealth and the position which they had to lose.⁴

The ostensible steps by which 'Manchukuo' was brought into being, and its ostensible organization when the process was complete, are described in detail in the *Lytton Report*.⁵ A recapitulation of this authoritative account is beyond the compass of this *Survey*; and it will be sufficient to record the principal stages in the formalities.

The first steps taken were local. A nominal Chinese municipality was erected at Mukden on the 20th October, 1931; and a nominal Chinese provincial government in Liaoning Province (which was now re-invested with its original name of Fengtien) on the 7th November,

¹ *Lytton Report*, p. 88.

² See pp. 455-7, especially the passage there quoted from the *Lytton Report*.

³ See the passage quoted from the *Lytton Report* on p. 451 above.

⁴ For the attitude of the Chinese officials in the Manchukuo service, as it appeared to the Lytton Commission, who were in Manchuria from the 20th April to the 4th June, 1932, see the *Lytton Report*, pp. 107-8. The English student of Far Eastern affairs, who has been quoted above, remarks that 'the French could not find any Germans of eminence to join their Rhineland Separatist movement, whereas the Japanese were able to retain the services of a considerable number of generals and high officials of the former régime: e.g. Hsi Hsia, Chang Ching-hui, Tsang Shih-yi, as well as the ex-Emperor of China, for "Manchukuo". If the Chinese had opposed "Manchukuo" with the same passive resistance as the Germans showed towards the French "Rhineland Republic", the Japanese would have had either to abandon the attempt altogether or else to annex Manchuria outright.'

⁵ *Lytton Report*, pp. 88-101. For the documents in which these steps were announced or embodied, see *Proclamations, Statements and Communications of the Manchukuo Government*, Series No. 1 (Hsinking, i.e. Changchun, October 1932, Department of Foreign Affairs).

1931, in Kirin Province on the 30th September,¹ and in Heilungkiang on the 25th January, 1932. These local structures were then crowned by an All-Manchuria Government which was built in the same fashion out of the same materials. The chief instrument employed in this last stage of the work was a 'Self-Government Guiding Board which had its central office in Mukden' and which 'was stated . . . by reliable witnesses . . . to have been organized, and in large part officered, by Japanese, although its chief was a Chinese, and to have functioned as an organ of the Fourth Department of the Kwantung Army Headquarters'.² Through this organization, a 'Conference of Provincial Governors' was staged at Mukden on the 16th-17th February, 1932; a 'Supreme Administrative Council' or 'North-Eastern Administrative Committee' was set up on the latter day; a 'Declaration of Independence'³ was published on the 18th of the same month; and on the 19th it was decided to establish a republic and to ask Mr. Henry Pu Yi (the *ci-devant* last Manchu Emperor of China, Hsuan Tung, who had been induced by the Japanese to transfer his residence from the Japanese Concession at Tientsin to the Japanese leased territory of Kwantung on the 11th November) to become the Chief Executive. 'Societies for the acceleration of the foundation of the new state' were now conjured into existence in the provinces; resolutions and declarations from the provinces were procured through these agencies; and an 'All-Manchuria Convention' was held at Mukden on the 29th February.⁴ By a resolution conceived in the name of this 'Convention', the 'Provisional Presidency' of the nascent state was conferred upon Mr. Henry Pu Yi; the President Designate yielded to the importunities of a delegation which waited upon him at Port Arthur; and on the 9th March, 1932, at Changchun (which had been selected to be the capital of 'Manchukuo' in place of Mukden, and had been renamed Hsinking), the new state was officially inaugurated with Mr. Pu Yi as Regent. In a declaration of the same date, the Regent undertook to found the policy of the new state upon the basis of 'morality, benevolence and love'.⁵

These were the formalities by which 'Manchukuo' was brought upon the scene. The realities are appreciated in the following terms in the *Lytton Report*:

Since September 18th, 1931, the activities of the Japanese military authorities, in civil as well as in military matters, were marked by

¹ The Japanese found their task easier, and therefore accomplished it more rapidly, in Kirin than in Fengtien.

² *Op. cit.*, p. 92.

³ Text in *Proclamations, &c.*, pp. 1-2.

⁴ See *op. cit.* for a proclamation in the name of the Manchukuo Government, dated the 1st March, 1932.

⁵ *Op. cit.*, p. 95.

essentially political considerations. The progressive military occupation of the Three Eastern provinces removed in succession from the control of the Chinese authorities the towns of Tsitsihar, Chinchow and Harbin, finally all the important towns of Manchuria; and, following each occupation, the civil administration was re-organized. It is clear that the Independent Movement, which had never been heard of in Manchuria before September 1931, was only made possible by the presence of the Japanese troops.

A group of Japanese civil and military officials, both active and retired, . . . conceived, organized and carried through this movement, as a solution to the situation in Manchuria as it existed after the events of September 18th.

With this object, they made use of the names and actions of certain Chinese individuals, and took advantage of certain minorities among the inhabitants, who had grievances against the former administration.

It is also clear that the Japanese General Staff realized from the start, or at least in a short time, the use which could be made of such an autonomy movement. In consequence, they provided assistance and gave direction to the organizers of the movement. The evidence received from all sources has satisfied the Commission that, while there were a number of factors which contributed to the creation of 'Manchukuo', the two which, in combination, were most effective, and without which, in our judgement, the new State could not have been formed, were the presence of Japanese troops and the activities of Japanese officials both civil and military.

For this reason, the present régime cannot be considered to have been called into existence by a genuine and spontaneous independence movement.¹

This authoritative judgment in regard to the part played by the Japanese in the establishment of 'Manchukuo' is confirmed by the rôle which was being played in the sequel by Japanese officials and advisers on the evidence of the same distinguished neutral observers, who visited Manchuria from the 20th April, 1932, to the 4th June.

In the 'Government of Manchukuo', Japanese officials are prominent, and Japanese advisers are attached to all important Departments. Although the Premier and his Ministers are all Chinese, the heads of the various Boards of General Affairs, which, in the organization of the new State, exercise the greatest measure of actual power, are Japanese. At first they were designated as advisers, but more recently those holding the most important posts have been made full Government officials on the same basis as the Chinese. In the Central Government alone, not including those in local governments or in the War Office and the military forces or in Government enterprises, nearly 200 Japanese are 'Manchukuo' officials.

Japanese control the Board of General Affairs and the Legislative and Advisory Bureaux, which in practice constitute a Premier's Office, the General Affairs Department in the Ministries and in the Provincial

¹ *Op. cit.*, p. 97.

Governments, and the Self-Government Directing Committees in the Districts, and the police departments in the Provinces of Fengtien, Kirin, and Heilungkiang. In most bureaux, moreover, there are Japanese advisers, counsellors and secretaries.

There are also many Japanese in the railway offices and in the Central Bank. In the Supervisory Council, Japanese hold the posts of Chief of the Bureau of General Affairs, Chief of the Control Bureau, and Chief of the Auditing Board. In the Legislative Council, the Chief Secretary is a Japanese. Finally, some of the most important officials of the Regent are Japanese, including the Chief of the Office of Internal Affairs and the Commander of the Regent's bodyguard.¹

It will be seen that 'Manchukuo' was in reality a tool of Japanese forging which was being wielded by Japanese hands for the furtherance of Japanese policies on the Continent. These policies can be summed up under two heads: first, to drive a wedge between the non-Chinese communities in Manchuria and the Chinese majority; in the second place, to lay Japanese hands upon all public utilities and administrative organizations in the occupied territory.

The first of these policies is apparent in the geographical re-organization of the country. 'Manchukuo' was officially divided into five provinces and two special districts. In addition to Liaoning (re-named Fengtien), Kirin and Heilungkiang, the domain of 'Manchukuo' included in theory the fourth Chinese north-eastern province of Jehol (though this was not yet under Japanese military occupation, but was still *de facto* under the rule of Marshal Chang Hsüeh-liang). The fifth province of 'Manchukuo' (called Hsi-an or Hsingan) was erected out of the Mongol enclaves, and it theoretically included the domains of the Chosatu and Chaotu Mongol Leagues in Jehol, as well as those of the Cherim League in Fengtien and of the Hulunbuir League in Heilungkiang. The two special districts were the former 'Special Administrative District' which had once been the Russian Railway Zone, and a new district carved out of Kirin Province in the region of Chientao, which adjoined the northern border of Korea and which was inhabited by a predominantly Korean population.² How far the political purposes of the Japanese in thus re-drawing the administrative map of Manchuria were likely to be achieved is a question that must be examined in the light of the respective attitudes of the non-Chinese communities in Manchuria towards the Japanese occupation.³

In any case, this Japanese policy of playing off the non-Chinese

¹ *Op. cit.*, p. 99.

² It may be added that Chientao also lay athwart the route of the still uncompleted railway from Changchun to the Korean port of Rashin on the Sea of Japan.

³ For these attitudes, see section (ii) (c) above.

against the Chinese elements in the population of Manchuria was of secondary importance compared with the policy of using 'Manchukuo' as a tool for bringing the whole life of the country under Japanese control. This second policy, which was put in hand from the beginning of the occupation was pushed forward energetically thereafter in every sphere.¹ The methods by which control was established over banks and business enterprises, over the railways and the Customs and Salt Administrations, and over the postal, telegraph and telephone services are described in some detail in the *Lytton Report*² and cannot, for reasons of space, be recapitulated here. The nature and the extent of the Japanese control which was thus established over Manchuria, through the instrumentality of the 'Manchukuo', was summed up by the Lytton Commission in the following terms:

As regards the 'Government' and the public services, although the titular heads of the Departments are Chinese residents in Manchuria, the main political and administrative power rests in the hands of Japanese officials and advisers. The political and administrative organization of the 'Government' is such as to give to these officials and advisers opportunities, not merely of giving technical advice, but also of actually controlling and directing the administration. They are doubtless not under the orders of the Tokyo Government, and their policy has not always coincided with the official policy either of the Japanese Government or of the Headquarters of the Kwantung Army. But in the case of all-important problems, these officials and advisers, some of whom were able to act more or less independently in the first days of the new organization, have been constrained more and more to follow the direction of Japanese official authority. This authority, in fact, by reason of the occupation of the country by its troops, by the dependence of the 'Manchukuo Government' on those troops for the maintenance of its authority both internally and externally, in consequence, too, of the more and more important rôle entrusted to the South Manchuria Railway Company in the management of the railways under the jurisdiction of the 'Manchukuo Government', and finally by the presence of its consuls, as liaison agents, in the most important urban centres, possesses in every contingency the means of exercising an irresistible pressure. The liaison between the 'Manchukuo Government' and Japanese official authority is still further emphasized by the recent appointment of a special ambassador, not officially accredited, but resident in the capital of Manchuria, exercising in his capacity of Governor-General of the Kwantung Leased Territory a control over the South Manchuria Railway Company and concentrating in the same

¹ For the far-reaching progress on the road towards their ultimate objective in Manchuria, which the Japanese had achieved by so early a date as the 17th December, 1931, see a despatch from the correspondent of *The Manchester Guardian* in Manchuria which was published on the 9th January, 1932.

² pp. 96-105.

office the authority of a diplomatic representative, the head of the Consular Service, and Commander-in-Chief of the Army of Occupation.¹

The appointment of General Muto to this combination of offices was in fact approved by the Government of Tokyo on the 26th July, 1932; and his installation duly took place on the 8th August. In a letter of the 27th August, which was addressed to the Lytton Commission by their Japanese assessor, it was announced that General Muto had left Tokyo for Manchuria on the 20th; that, on his arrival, he would 'commence negotiations for the conclusion of a fundamental treaty concerning the establishment of friendly relations between Japan and Manchuria'; and that the Japanese Government would regard the conclusion of this treaty 'as a formal recognition of "Manchukuo" '.

A public agitation for the recognition of 'Manchukuo' by the Japanese Government had been on foot in Japan since the erection of the so-called independent Government at Changchun; but the Japanese Government had gone through the form of holding their hand until they could profess to have satisfied themselves that 'Manchukuo' was both *bona fide* independent and *de facto* effective. In February 1932, the Japanese Government had informed the British Ambassador in Tokyo officially that 'if, as' was 'probably true, an independent Government' had 'been proclaimed by the Chinese in Mukden, the Japanese Government was no more likely to recognize it than any other Government'.² And when 'Manchukuo' asked the Powers for recognition in a circular communication of the 12th March, 1932,³ the Japanese Government replied on the 21st with a mere acknowledgement of receipt. On the other hand, the Japanese Government's decision to accord this recognition to 'Manchukuo' at some future date which was not yet fixed was announced by the Japanese Foreign Minister, Count Uchida, on the 18th July (immediately after a visit which the Lytton Commission had paid to Japan on the 4th-15th July, when Count Uchida had been one of the persons with whom they had conferred). This intimation was repeated by Count Uchida in a speech which he delivered before the Diet at Tokyo on the 25th August, in which

¹ *Lytton Report*, p. 106. For an anticipation of this judgment, see a despatch of the 26th April, 1932, from the correspondent of *The New York Times* in Manchuria, which was published on the 27th April, 1932, and also a longer despatch from the same correspondent which was written on the 21st April, 1932, and published on the 23rd May.

² Statement made by Sir John Simon on the 22nd February, 1932, in the House of Commons at Westminster in answer to a parliamentary question.

³ For this communication, see p. 554 below.

he went so far as to say that the Japanese Government regarded the recognition of 'Manchukuo' as being 'the sole effective means of solving the Manchurian problem'.¹ In the same speech, the Japanese Minister for Foreign Affairs declared that the Japanese people could 'never consent' to 'a solution by patching up matters for the moment by investing China Proper in one form or another with authority over Manchuria' on the lines of 'a plan' which was 'being considered in certain quarters' (i.e. by the Lytton Commission).

After this, the creation of a diplomatic *fait accompli* on the Japanese Government's part was no longer delayed. On the 13th September, 1932, at Tokyo, the draft text of a protocol to be signed by representatives of Japan and 'Manchukuo' was approved by the Japanese Privy Council in the presence of the Emperor of Japan; and on the 15th this instrument was duly signed at Changchun by General Muto of the one part and Cheng Hsiao-hsu, 'Prime Minister of Manchukuo', of the other. The essential paragraphs read as follows:

Whereas Japan has recognized the fact that Manchukuo, in accordance with the free will of its inhabitants, has organized and established itself as an independent State; and

Whereas Manchukuo has declared its intention of abiding by all international engagements entered into by China in so far as they are applicable to Manchukuo:

Now the Governments of Japan and Manchukuo have, for the purpose of establishing a perpetual relationship of good neighbourhood between Japan and Manchukuo, each respecting the territorial rights of the other, and also in order to secure the peace of the Far East, agreed as follows:

1. Manchukuo shall confirm and respect, in so far as no agreement to the contrary shall be made between Japan and Manchukuo in the future, all rights and interests possessed by Japan or her subjects within the territory of Manchukuo by virtue of Sino-Japanese treaties, agreements, or other arrangements or Sino-Japanese contracts, private as well as public;

2. Japan and Manchukuo, recognizing that any threat to the territory or to the peace and order of either of the High Contracting Parties constitutes at the same time a threat to the safety and existence of the

¹ This proposition was elucidated by Count Uchida as follows:

'With regard to the question of finding a solution for the Manchurian problem, the Japanese Government attach the greatest importance to the following two points:

'First, that, in seeking a satisfactory solution we should aim at the fulfilment of the legitimate aspirations of the Manchurian people, at adequate guarantees for the rights and interests of Japan, at prevention—in order to make Manchuria a safe place to live in, alike for Manchurians and foreigners—of any recrudescence of erstwhile anti-foreign policy and movements, and, finally, at bringing not only stability to Manchuria, but permanent peace to the Far East. Second, that such solution should be effected by rejecting all sentimental propositions and abstract theories and arrived at upon the solid basis of realities of the situation.'

other, agree to cooperate in the maintenance of their national security; it being understood that such Japanese forces as may be necessary for this purpose shall be stationed in Manchukuo.

The present Protocol shall come into effect from the date of its signature.¹

The Japanese Government's motives for taking this particular step at this juncture are revealed in the passage quoted from Count Uchida's speech of the 25th August, 1932, in which the Japanese Foreign Minister referred to the Lytton Commission's forthcoming proposals. In deliberately forestalling the publication of the *Lytton Report* by clinching the erection of 'Manchukuo' through a diplomatic *fait accompli* from which Japan could hardly recede without some 'loss of face', the Japanese Government were, as it were, 'nailing their colours to the mast' as a preliminary to 'going into action' at Geneva. They were intentionally creating a state of affairs in which they would not be able to abandon their puppet without evoking an overwhelming opposition in the hearts of the Japanese people. Within these limits, the Japanese Government's motives are easily discerned; but there is no such obvious answer to the previous question why it was that the Japanese had elected in the first instance, and continued to the bitter end, to play out this elaborate political farce.

Assuming that the ultimate aim of the Japanese was to make themselves masters of Manchuria, it is not immediately evident that this aim was being served by the erection of 'Manchukuo'; for it was not the fiction of 'Manchukuo' that was placing the realities of power in Manchuria in Japanese hands. On the contrary, the power to play the farce of 'Manchukuo' on the Manchurian stage, as well as the power to seize control over the Manchurian railways and Salt Gabelle and Customs and banks and business enterprises, had been acquired by the Japanese *manu militari*. The military conquest and occupation of Manchuria by the Japanese Army was the real foundation of the Japanese position in Manchuria in 1932; and the whole world was aware that this was the fact. The Japanese were apparently prepared to defy the world's opinion and to risk the consequences of the world's disapproval in order to keep their ill-gotten gains. Why, then, did they not simply proclaim, out of hand, the annexation of Manchuria to the Japanese Empire instead of persisting in a farce which nobody in the world was taking seriously? An outright annexation would hardly have been a grosser violation of

¹ An official Japanese apologia for this protocol was published simultaneously. The text of the apologia will be found in *The Manchester Guardian*, 16th September, 1932.

Chinese sovereign rights in Manchuria than the denial of these rights which was involved in the erection and recognition of 'Manchukuo'. On the point of principle, the breach of international law was equally beyond condonation in whichever of the two alternative forms it was effected. And, on the point of fact, the Japanese insistence that the farce was sober earnest, and that 'Manchukuo' was a genuine expression of 'the general will' of the Manchurian people, was calculated to exasperate the public opinion of the world even more sorely than a cynical avowal on Japan's part that she was doing what she was doing by sheer violence. How, then, is this Japanese policy of 'Manchukuo' to be explained?

One explanation is to be found in the native Japanese political tradition; for a study of Japanese constitutional history shows a persistent tendency for sovereignty *de jure* and sovereignty *de facto* to be divorced from one another and to find their way into different hands. Indeed, in Japan this divorce between constitutional form and political reality had been carried to even greater lengths than it had ever been carried in England, which was the classic home of constitutional fictions in the West. Theoretically, in Japan, as in England, the reigning sovereign of the dynasty was a being of divine descent¹ who was the source of all sovereign power. In practice this sovereignty had been delegated since an earlier date in Japan than in England. Sometimes the holder of the delegated power had been a shogun who paraded on the forefront of the stage—at Kamakura or at Yedo or even in the Imperial Capital of Kyoto itself—while the juridically sovereign Emperor remained discreetly in the background. Under the Tokugawa Shogunate, the juridical source of sovereignty was so utterly eclipsed by the actual holder of it that, until the eve of the Imperial Restoration of A.D. 1868, the existence of the Imperial Court at Kyoto was hardly realized in the West, and it was commonly assumed that the potentate who governed Japan from Yedo was the lawful sovereign of the country. At other periods in Japanese history the same constitutional comedy was performed with the postures and positions of the performers reversed—the divine being who was the nominal fountain-head of sovereignty being thrust into the forefront of the stage, while the actual holder of power pulled the strings from a covert in the background. This was the

¹ The reigning Emperor of Japan, Hirohito, was mythically descended from the Japanese Sun-Goddess Ama-Terasu; King George V of England was mythically descended from the Teutonic weather-god Woden through the two equine divinities Hengist and Horsa. The English sovereign had the advantage over the Japanese of being nearer to his divine ancestors by a considerable number of generations.

situation in the age when Japan was ruled *de facto* by 'the Cloistered Emperors', who only began to govern when they ceased to reign in virtue of abdicating from the Imperial Throne in favour of their sons, and then retiring into a monastery whence they dictated the policy of their successors in the Imperial Office, who were constrained by the obligation of filial obedience to reign without governing. In essence this régime was revived after the Restoration of A.D. 1868, when the Imperial Power was restored, and was supplemented, *more occidentali*, by a Cabinet and a Diet, in order that the whole of this constitutional apparatus might be controlled in the last resort by 'the Elder Statesmen' who had brought about the Restoration. It was not unnatural that this traditional method of constitutional procedure should be applied by the Japanese to their foreign conquests. They had in fact attempted to govern Korea in this indirect fashion in the first instance, after their victory over Russia in 1905 had brought Korea within their grasp. It was only after five years' trial of indirect rule, from 1905 to 1910, that the Japanese Government had been constrained to annex Korea to the Japanese Empire outright owing to the difficulty of governing through native puppets a nation which was so unanimously hostile to Japanese domination. In erecting and recognizing 'Manchukuo', the Japanese were again attempting to apply their traditional native method of government to a foreign conquest.

Thus the political farce of 'Manchukuo' can be explained in the light of the native Japanese constitutional tradition to a very large extent; but it is probable that it must also be attributed in part to an anxiety to imitate Western behaviour—an anxiety which had become an *idée fixe* in Japanese minds since the beginning of the Meiji era. A candid Western historian cannot ignore this probability when he remembers how painstaking and how literal the Japanese manner of imitating Western fashions was apt to be, and when he considers that the policy of constitutional humbug was just as prominent in the colonial history of the modern Western World as it had been in the domestic history of medieval Japan.

Was it not Western Imperialism that had coined the word 'protectorate' as a euphemism for 'annexation'? And had not this constitutional fiction served its Western inventors in good stead? Was not this the method by which the Government of the French Republic had stepped into the shoes of the Sultan of Morocco, and by which the British Crown had transferred the possession of vast tracts of land in East Africa from native African to adventitious European hands? And if the ex-victors in the General War of 1914-18 should

protest that, since the War, they had experienced a conviction of sin and had replaced the tarnished word 'protectorate' by the brand-new word 'mandate', would not the Japanese be able to cite American and Russian, as well as German, opinion in support of the view that this latest change of name had introduced a distinction without a difference?¹

Moreover, a Japanese apologist might discover precedents for almost every use that Japan had made of 'Manchukuo' in Western post-war as well as pre-war practice. Conceivably, for example, it might be considered hypocritical on the part of the Japanese to have connived at the action of 'the Manchukuo Government' in seizing the China Maritime Customs House at Dairen,² and then to have disclaimed all responsibility for this breach of a Sino-Japanese agreement on the ground that 'the problem did not concern Japan but was an issue solely between "Manchukuo" on the one hand and the Government of China and its Dairen Commissioner on the other'.³ But if this incident was to be judged on the 'practical' basis of precedent and not by the merely 'idealistic' touchstone of Right-

¹ There are also certain nineteenth-century American precedents that have been suggested to the writer of this *Survey* by an American student of international affairs:

'You might cite the creation of a West Florida Republic in 1810 by citizens of the United States, the creation of the Republic of Texas in 1836, and a similar attempt by an American naval officer to create a Republic of California in 1842, as other illustrations of Western methods now being copied by Japan. In fact, the Mexican Secretary for Foreign Affairs, Lucas Alaman, in a report addressed to the Mexican Congress in 1830, analysed the "American method" of expansion in terms which might be precisely applied to the Japanese methods in Manchuria. This quotation is given in Carl Russell Fish: *American Diplomacy* (New York, 1923, Henry Holt and Company), pp. 243 *seqq.*'

² 'Until 7th June, the Dairen Customs revenue was remitted to Shanghai at intervals of three or four days, but, under date of June 9th, the "Manchukuo Government" gave notice that these remittances should no longer be made. When no further funds reached Shanghai, the Inspector-General of Customs took up the matter by telegraph with the Japanese Commissioner at Dairen. As a result, the Commissioner refused to send on the Customs receipts on the ground that the chief of the Foreign Section of the Government of the Japanese Leased Territory had advised him that the remittance of the Customs revenue might severely affect Japanese interests. The Inspector-General therefore, on June 24th, dismissed the Dairen Commissioner for insubordination. The "Manchukuo Government", on June 27th, appointed the dismissed Commissioner and the members of his staff as "Manchukuo" officials to serve in their former positions.' (The *Lytton Report*, p. 104). The China Maritime Customs station at Dairen was on a different footing from the stations in the territory over which the 'Manchukuo' Government claimed jurisdiction, since Dairen was part of the Japanese Leased Territory of Kwantung. The Dairen Customs were controlled by the Chinese Maritime Customs Administration in virtue of a special Sino-Japanese agreement of the 30th May, 1907.

³ The *Lytton Report*, *loc. cit.*

and-Wrong, was it not open to the Japanese to point out that they were here following, with almost pedantic exactitude, a precedent which had been set by the French in 1923-4 when they had engineered the fictitious 'Separatist Movement' in the Rhineland in the hope of achieving through this instrument a breach of the Peace Treaty of Versailles which they preferred not to perpetrate with French hands?¹ Though the Japanese failed to make the most of these Western precedents in stating their case for performing the farce of 'Manchukuo', it may legitimately be conjectured that Western as well as Japanese precedents had in fact suggested, and commended, this line of policy to Japanese minds.

These considerations go far towards explaining 'Manchukuo'. Yet, when all is said, it is difficult altogether to comprehend the state of mind in which a piece of make-believe is obstinately defended as being genuinely what it purports to be, long after its fraudulency has been conclusively exposed to the public eye. It can only be pointed out that this curious state of mind was at any rate not peculiar to the Japanese. It was also displayed, in this self-same post-war age, by the French, when they protested, as we have recalled, that 'the Separatist Movement' in the Rhineland was a spontaneous expression of Rhenish aspirations with which the French Army of Occupation had nothing to do. And it was likewise displayed by the Russians, when they protested that the Government of the U.S.S.R. had nothing to do with the Third International.² The state of mind which is illustrated in each of these instances must be regarded as one of those relics of an 'archaic' psychology which lingered on in the field of international relations and which constituted one of the most formidable obstacles to the progress of civilization in this particular sphere of social life.

Additional Note

On the question of the motives of the Japanese in erecting 'Manchukuo', the English student quoted above comments as follows:

The explanations you give are wholly convincing as far as they go, but I think you underestimate the practical advantages of the 'puppet State' device for the purpose it serves. The device may be only a legal fiction and the state of mind it implies a relic of 'archaic' psychology; but then, as long as most men retain this 'archaic' psychological make-up and live as much by legal fictions as they do, it will be good practical politics to use such devices. Tactically there is a very great difference

¹ For this so-called 'Separatist Movement' in the Rhineland under the French military occupation, see the *Survey for 1924*, Part II A, section (iii).

² See the *Survey for 1924*, Part I C, section (i).

between direct annexation and promotion of a bogus independence movement, because the latter type of policy throws the whole burden of proof on the other side. If a new State is in being, it is up to its opponents to prove that it was not self-determined, and the issue is thus transferred from the realm of admitted fact—for in a case of annexation there is no question but that territory has been taken—to a sphere of infinite detail in which rigorous disproof of the thesis advanced—that of a spontaneous independence movement—is very difficult, if not impossible. It is true that the Lytton Commission were unanimous in coming to the conclusion that Manchukuo was bogus, that the League has adopted their view, and that nobody is really taken in by this 'self-determination'; nevertheless, Japan can still make a case, which is good enough at any rate for her own public, by disputing the verdict on the question of fact, which by its nature is not capable of being irrefutably determined. If a separatist movement in any country created a new state *de facto*, it would sooner or later be recognized on precedents going back to Canning's recognition of the South American republics, without this being held to run counter to international law. For a *de facto* separation to be ruled illegal and unrecognizable, it is necessary to prove that the separatist movement was entirely fictitious and due to the machinations of a foreign Power. In this case the proof consists in the fact that the members of the Lytton Commission were convinced, mainly by correspondence from unnamed persons, that there was no Chinese support for the movement, all evidence given publicly being discounted owing to the presence of Japanese and the exposure of witness to intimidation. I do not suggest at all that the Commission were wrong or that there *was* any general Chinese support for 'Manchukuo', but I do say that the sort of evidence on which the denial is based is of an unsatisfactory nature, and lies open to retorts from the Japanese side which are at any rate effective for Japanese home consumption. This is of primary importance, for in so far as an Imperialist Government can persuade its own public of the rightness of its action, it can make a stand against 'world opinion' with good hope that the latter will give way sooner than the former. Had Japan declared that she would annex Manchuria, it would not have been possible for the average Japanese to disbelieve in his country's aggressiveness, and none but the 100-per cent. mailed-fisters would have approved the policy; as it is, Japanese generally are able to persuade themselves that they have been misunderstood or misrepresented, and that the findings of the Lytton Commission on Manchukuo are quite arbitrary and unwarranted. Japanese opinion, even of the more intelligent sort, is not impressed by the *Lytton Report*, and holds that, if it has been adopted by the League, that is chiefly on *a priori* grounds or for the sake of a gesture. The Japanese maintain further that, as the members of the Commission did not know any Chinese, they were necessarily in the hands of their expert advisers who, as experts on China, tended to be pro-Chinese.

With regard to the Lytton Commission's statement that there never was any independence movement in Manchuria before the Japanese Army overran the country, the Japanese point out that Chang Tso-lin's Government performed all the functions of a sovereign state, including

the making of regular treaties with foreign Powers (e.g., the Sino-Russian Agreement of 1924 made by Chang Tso-lin after he had explicitly declined to recognize the treaty previously made with Russia by the then internationally recognized Government of China), and that Chang Hsüeh-liang's policy of submission to Nanking in return for powers in North China was strongly opposed by a party among his generals, notably by Yang Yu-ting, his father's Chief of Staff, who was murdered by Chang for that reason. The Japanese claim that, with the forcible ejection of Chang, Manchuria merely reverted to its pre-1929 status, only that this was now regularized by an assertion of *de jure* sovereignty.

As for the *Lytton Report's* recommendations, a Japanese criticism runs: 'The Commissioners themselves say that it would not do to restore the Chang régime. But if the people are in favour of it, why not? Surely one cannot deny the will of the people simply because it may be inconvenient! And if the people are not in favour of the Chang régime, what becomes of the argument that Japanese machinations are the only reason why it was expelled?' (*Contemporary Japan*, Dec. 1932.)

I do not mean this as a justification for Japanese action, but I think it is important to realize how 'Manchukuo' has really complicated the issue, which would have been so straightforward if Japan had merely annexed the country. We may be quite sure that 'Manchukuo' is a fake; but there is just enough reality in it to make the *Lytton Report* controversial and enable most Japanese to salve their consciences!

The American student of international affairs, who has been quoted above, makes the same point independently in his correspondence with the writer:

I think perhaps you do not do complete justice to the occasional value of fictions as devices of politics and law. I have in mind the chapter on fictions in Sir Henry Maine's *Ancient Law*. I might also refer to Bagehot on the 'Dignified' Institutions of the British Constitution as opposed to the 'Efficient' Institutions. Fictions, it seems to me, have a very definite value in adjusting human emotions to change, a value which is inherent in the characteristics of human nature. They also, I think, sometimes have a rational value as artificial aids to thinking. Thus, while the instances of the particular uses of fictions which you suggest would perhaps warrant your language, it seems to me that the general castigation is a little too energetic.

A further consideration is suggested by the same American commentator:

I think there is an economic explanation for the creation of 'Manchukuo' rather than annexation of the territory. The Japanese industrialists, who are for the time being somewhat overwhelmed by the military and agrarian groups, obviously do not wish to have completely free trade with Manchuria, as that would mean a great advantage to industrial enterprises set up in Manchuria as against their own industrial enterprises in Japan proper; and consequently they wish Manchuria to be a colonial area outside of the Japanese domestic market. This perhaps could be more easily effected by keeping Manchuria as an 'independent'

state. On the other hand, the military and agrarian groups in Japan probably wish to incorporate the territory eventually. A struggle between these two groups in Japan seems to me not unlikely, but for the time being the maintenance of 'Manchukuo' may be a sop offered by the militarists to the industrialists.

An English commentator, who was resident in the Far East at the time, suggests yet another consideration that may have been in Japanese minds. The Japanese probably could not, and knew that they could not, find anything approaching the requisite number of Japanese nationals with the proper character and experience for staffing an all-Japanese administration of Manchuria.

(iii) The Japanese Naval and Military Operations at Shanghai.

(a) THE IMMEDIATE ANTECEDENTS AT SHANGHAI OF THE JAPANESE OPERATIONS

IN the section of the preceding volume¹ in which an account was given of the Chinese reaction, in Chinese territory inside the Great Wall, to the Japanese action in Manchuria during the three and a half months ending on the 31st December, 1931, it was indicated that the principal form which the Chinese reaction took was the organization of an anti-Japanese boycott; that the boycott inevitably found its headquarters in Shanghai; and that it was for this reason that Shanghai became the scene of the new chapter of the Sino-Japanese conflict which opened on the 28th January, 1932. The nature of the boycott and its effect on Japanese interests were also described in the preceding volume,² and in this place it need only be said that, as the weeks passed with no relaxation of the movement and with no possibility of obtaining redress through the Courts,³ the 'demands'

¹ The *Survey for 1931*, Part IV, section (iii) (3).

² *Op. cit.*, *loc. cit.* In the third week of January 1932 a survey issued by the Chairman of the Japanese Chamber of Commerce at Shanghai stated that the total loss resulting from the boycott to Japanese industrial and commercial interests up to date was approximately 185,000,000 taels (about £18,000,000). In Shanghai alone the Japanese products owned by Chinese and placed under the seal of the boycott movement were valued at 60,000,000 taels. These figures did not take into account the thousands of tons of Japanese merchandise held up in Japan, nor the contributory losses, directly or indirectly attributable to the boycott, which were suffered by Japanese internal commerce.

³ On the eve of the crisis of the 28th–29th January, 1932, the Shanghai Municipal Council was reported to be considering independent measures for enforcing the law, in view of the fact that pickets charged with the illegal seizure of goods within the boundaries of the Settlement were invariably acquitted by the Chinese Courts. (For the transfer to Chinese jurisdiction of the Provisional Court in the International Settlement and the Mixed Court in the French Settlement at Shanghai, see the *Survey for 1929*, pp. 325–30 and 334–5; and the *Survey for 1931*, pp. 427–8.)

made by Japanese nationals in Shanghai 'to their Government to take direct action to put an end to an intolerable situation became insistent'.¹ While the Government at Tokyo were considering in what manner they should respond to these demands,² the state of tension at Shanghai was becoming daily more acute, and the danger was becoming correspondingly greater that the Japanese on the spot would take the law into their own hands.

The 'spirit of bitter hostility' which had developed between Chinese and Japanese at Shanghai manifested itself during the first three weeks of January in every possible way. The Japanese were specially 'infuriated' by 'derogatory references to the Emperor of Japan' which were contained in an article published by a Chinese newspaper on the 9th January.³ 'Incidents of violence' were of frequent occurrence, and a more than usually serious incident of this kind, which took place on the 18th January, proved to be the spark that fired the train. On that day 'five Japanese, some of them being

¹ Unless otherwise stated, the words and passages in quotation marks in the following account of the situation at Shanghai up to the 20th February are taken from one of the reports of the Consular Committee of Inquiry which was set up at Shanghai at the request of the Secretary-General of the League of Nations (see below, p. 562). The first report, dated the 6th February, 1932, dealt with the background and antecedents of the Japanese action of the 28th January and with the events of the 28th-31st January. The second report covered the period 31st January to 12th February; and the third report described the situation on the 18th-20th February. These three reports were published as annexes to the minutes of the sixty-sixth session of the League Council; as the separate League publication *VII. Political. 1932. VII. 4*; and as the British White Papers *Cmd. 4021* and *Cmd. 4040*. These reports of the Consular Committee, which represent the most authoritative description of the events in Shanghai from neutral eye-witnesses, have been used as the basis of the record of events given in this *Survey*, but, owing to the inevitable brevity of telegraphic reports, it has occasionally proved necessary to supplement the information given by the Consuls from other sources. (In quoting these reports, prepositions and articles and other unessential words omitted in the telegraphed versions have been supplied for convenience in reading.)

In response to a further request from the Secretary-General, the Consuls submitted a fourth report to the Special Session of the League Assembly. This report, which was dated the 5th March, covered the period 20th February to 3rd March. It was printed in the *Records of the Special Session of the Assembly* (pp. 204-5) and in the British White Paper *Cmd. 4040* of 1932.

² On the 8th January, 1932, an 'official spokesman' at Tokyo gave to representatives of the foreign press a forecast of certain 'more decisive steps' which were contemplated by Japan if the boycott continued. These steps included, apparently, a blockade of the principal Chinese ports as well as the landing of Japanese marines. On the 4th January, 100 marines had already been landed at Foochow, and three destroyers had been ordered to proceed to that port, in consequence of an anti-Japanese outbreak on the previous day, in the course of which a Japanese teacher and his wife had been killed, and two naval officers had been assaulted.

³ *Cmd. 4021*, p. 1.

Buddhist monks, whilst passing in front of the Sanye Towel Factory in Chapei, were attacked by Chinese, some of the assailants being probably members of the organized anti-Japanese Volunteer Corps. The Chinese police arrived too late to arrest the culpables. Two Japanese were seriously wounded¹ and one of them, a Buddhist monk, succumbed to his wounds on the 24th January. On the 20th January, in reprisal for this incident of the 18th, 'about 50 members of the Japanese Youth Protection Society, armed with knives and clubs, proceeded to the Sanye Towel Factory and set the building on fire. On the way home they clashed with the Settlement Municipal Police.'² Three Chinese policemen were seriously wounded in this affray and three Japanese were shot by the police. One policeman and one Japanese died subsequently from the wounds which they had received.

On the same day (the 20th January), a 'mass meeting of Japanese residents which was held at the Japanese Club protested against the attack against the monks and against disparaging references by the press to the Japanese Emperor. The meeting passed a resolution asking the Japanese Government to send war vessels and military units for the complete suppression of the anti-Japanese movement. About half of them proceeded first to the Japanese Consulate and then to the naval headquarters in order to present the resolution. After seeing the Japanese Consul, who asked them to leave the matter with him, they clashed with the International Settlement police on the way to naval headquarters.'³

During the afternoon of the 20th January, the Chinese Mayor of Greater Shanghai, Mr. Wu Te-chen, received from the Japanese Consul-General, Mr. Murai, a communication containing five demands. The first three, which related to the incident of the 18th January, required a formal apology by the Mayor, the immediate arrest of the assailants, and the payment to the injured persons of an indemnity and the cost of their treatment in hospital. The last two of the demands were of wider scope. The Mayor was required to make himself responsible for the 'adequate control of the anti-Japanese movement' and for the 'immediate dissolution of all anti-Japanese organizations actively engaged in fostering hostile feelings and anti-Japanese riots and agitation.'⁴ These demands placed Wu Te-chen in an unenviable position. He could expect little support or direction

¹ *Op. cit.*, p. 3.

² *Op. cit.*, *loc. cit.*

³ *Op. cit.*, *loc. cit.* One member of the police force, a British national on probation, was wounded. The Japanese authorities expressed regret for this incident to the Municipal Council and 'seven Japanese subsequently surrendered to the Japanese authorities'.

⁴ *Op. cit.*, *loc. cit.*

from Nanking, where the Government was virtually in a state of paralysis;¹ and, since the events of the last few days had fanned Chinese, as well as Japanese, passions to a white heat, if he yielded to Japanese pressure, he would risk an explosion of Chinese mob anger which might precipitate a catastrophe no less serious than that which was threatened by Japanese 'direct action'. Moreover, even if all the Japanese allegations regarding the direct official inspiration of the boycott had been proved to be true, the movement had long since passed the point at which action by the authorities could bring it to a sudden halt.

On the following morning (the 21st January) Wu Te-chen informed Mr. Murai that he was ready to consider the first three points, but that he would have difficulty in complying with the last two. Thereupon, Rear-Admiral Koichi Shiozawa, the Commander-in-Chief of the Japanese fleet in Chinese waters, took the first step along the path which was to lead to the destruction of Chapei and to the 'war in everything but name'² which raged in and around Shanghai for some five weeks. During the afternoon of the 21st January a communication from Admiral Shiozawa was published in the press³ stating that 'should the Mayor of Greater Shanghai fail to give a satisfactory reply to the Japanese and fulfil their demands without delay, the Admiral was determined to take the necessary steps in order to protect Japanese Imperial rights and interests'.⁴ The Admiral did not make it clear what precise steps he had in mind, and speculations regarding his intentions intensified the general feeling of uncertainty and insecurity.⁵

During the next few days rumours were current that the Chinese troops in Chapei (the Cantonese Nineteenth Route Army)⁶ were being strongly reinforced, but at the same time the Mayor, 'who had expressed to neutrals his intention of making every possible concession to avoid clashes, was trying to induce the leaders of the local

¹ See section (i) of this part of the present volume.

² Quoted from the statement made by Mr. J. H. Thomas at the meeting of the Council of the League of Nations on the 2nd February, 1932. (See p. 563 below.)

³ Copies were also sent to the authorities in the International Settlement and to the Public Safety Bureau of Greater Shanghai.

⁴ *Cmd.* 4021, p. 4.

⁵ At one moment the press credited Admiral Shiozawa with the intention of seizing the Chinese municipal buildings, the headquarters of the Kuomintang, the Kiangwan Arsenal and other vital points; at the next moment, he was reported to be hesitating between the occupation of the Whangpoo forts and the native city of Shanghai and the declaration of a 'peaceful blockade' against Chinese shipping.

⁶ For the reason for the presence of these Cantonese troops at Shanghai, see the *Survey for 1931*, p. 414.

Chinese to stop the anti-Japanese boycott associations.¹ In a statement to the press on the 27th January, Wu Te-chen committed himself to the suppression of illegal activities and appealed to law-abiding citizens to co-operate with him. As a result of his efforts the [? anti-Japanese boycott] 'association was closed and various offices were seized by Chinese police'² during the night of the 27th/28th January.

In the meantime Japanese naval reinforcements had arrived at Shanghai. On the 21st January (that is, on the day on which Admiral Shiozawa's threat to take direct action was made public) a cruiser, an aircraft carrier and four destroyers were ordered to Shanghai. These vessels, which arrived on the 24th, brought the number of warships under Admiral Shiozawa's command at Shanghai up to ten, and the number of marines available for landing parties up to about 1,300. Further reinforcements, consisting of a cruiser and twelve destroyers, were despatched on the 26th and arrived at dawn on the 28th. The marines at Admiral Shiozawa's disposal then numbered about 3,000.

On the 24th January (the day on which the Buddhist monk who had been wounded on the 18th died in hospital and the first Japanese reinforcements arrived), Mr. Murai notified Wu Te-chen 'that if no reply was forthcoming within a reasonable time or if the reply was unsatisfactory, the Japanese Government reserved the right to take action as required by the circumstances'.³ So far, no time limit for the Chinese reply had been fixed; but on the 27th January Mr. Murai informed Wu Te-chen that, 'without fixing a definite day', he would expect a preliminary reply 'by the 28th January'.⁴ Later in the same day Wu Te-chen received yet another communication from Mr. Murai declaring 'that he must have a satisfactory reply to the demands by 6 p.m. next day, failing which the Japanese would take the necessary steps in order to enforce them'.⁵ Thus, on the evening of the 27th January, the Chinese were faced with a definite ultimatum expiring at 6 p.m. on the 28th January, but the nature of the sanctions which the Japanese intended to take in case of non-compliance with their demands had not been made clear.

At 7.30 a.m. on the 28th January Admiral Shiozawa 'notified the

¹ The first report of the Consular Committee also mentioned that Wu Te-chen tried to persuade the leaders to 'agree to delete the words "anti-Japanese" from the title of the other body, these words being considered by the Japanese as a national offence'. The context does not make it clear what this 'other body' was.

² *Cmd.* 4021, p. 4.

⁴ *Op. cit.*, p. 5.

³ *Op. cit.*, p. 4.

⁵ *Op. cit.*, *loc. cit.*

commanders of the other national defence forces¹ that he proposed to take action on the following morning if no satisfactory reply had been received from the Chinese. The Municipal Council of the International Settlement held a meeting during the morning and decided that a state of emergency should be declared as from 4 p.m'.² The reasons which led the Municipal Council to make this decision were subsequently³ explained, as follows, by the Consuls of the neutral Powers who were present in Shanghai at the time: 'When the state of emergency was declared the Council had in mind that either (a) the Chinese would not accept the Japanese terms, in which case the Japanese would take some action and there might be rushes of excited refugees and possibly of disorganized military elements attempting to enter the Settlement; or (b) that the Chinese would accept the Japanese terms, in which case there might be a storm of protest on the part of the Chinese population, resulting in riot and disorder both inside and outside the Settlement. The Mayor himself was apprehensive of this. Therefore, although there was reason to expect trouble, it was not known from what direction it would come, and the declaration of a state of emergency was merely a precautionary measure not directed against any particular party.'

¹ On the 28th January, an official statement gave the number of foreign troops, other than Japanese, at Shanghai as 2,306 British, 1,253 Americans and 1,050 French. There were also some Italian troops. These forces were additional to the Municipal Police, and to the members of the Shanghai Volunteer Corps. (For the Volunteer Corps, see the *Survey for 1926*, pp. 367-8 n.) In the harbour there were twenty-three Japanese, five British, and two French warships and one American warship. During the next few days British, American and French, as well as Japanese, reinforcements were despatched to Shanghai. On the 1st February the British cruiser *Suffolk* and four American destroyers arrived; and on the 3rd H.M.S. *Berwick*, with a battalion of infantry and a battery of artillery on board, reached Shanghai from Hongkong. On the same day the U.S. cruiser *Houston*, the flagship of Admiral Taylor, arrived from Manila, together with four more destroyers. The only French cruiser in Eastern waters, the *Waldeck-Rousseau*, was ordered from Saigon to Shanghai on the 31st January, and a battalion of French troops was sent from Tientsin. On the 5th February H.M.S. *Kent*, the flagship of Admiral Sir Howard Kelly, commanding the British fleet in Chinese waters, arrived from Batavia, and the 31st regiment of the U.S. Army, which had been sent from Manila, landed on the same day. The Italian cruiser *Libia* had arrived before the 23rd February, on which day it was struck by Chinese shells (see footnote on p. 500 below). By a fortuitous coincidence, the United States Battle Fleet was due to leave the Pacific Coast of the Continental United States for Hawaii on the 31st January, with a year's stores on board, in order to carry out manœuvres in mid-Pacific. This long-standing plan was duly executed without incident.

² *Cmd.* 4021, p. 5.

³ In a telegram dated the 13th February, 1932, which was sent in reply to a request from the Chinese representative at Geneva for further information on certain points raised in the Consuls' first report. The telegram is printed in *opp. cit.* in footnote on p. 471 above.

During the early afternoon of the 28th January, the Mayor of Greater Shanghai 'transmitted to the Japanese Consul a reply accepting entirely the Japanese demands. At 4 p.m., the Japanese Consul informed the consular body of the receipt of this reply, which, he said, was entirely satisfactory. He added that it remained to be seen whether the Mayor would be able to enforce the terms accepted, but he admitted that the demands had been carried out to a large extent and, for the time being, no action would be taken. In spite of this change in the diplomatic situation, there was a popular belief that the Japanese naval authorities were determined to take direct action in any event.¹ Inflammatory statements were appearing in the Japanese Press Union Bulletin to the effect that the Chinese did not intend to carry out their promise and that they were preparing to attack the Japanese. It was also anticipated that there might be a revolt amongst the Chinese population against acceptance by the Mayor of the Japanese demand. These considerations made it advisable in the eyes of the Defence Committee that the state of emergency should be nevertheless enforced as from 4 p.m.'²

The declaration of a state of emergency by the Municipal Council brought into operation the defence scheme, the purpose of which was '(i) to protect the foreign area from internal disorder, and (ii) to defend it against external aggression'. The declaration was 'effective notice to the commanders of the various national forces that they' were 'expected to be prepared to defend their sections'.³ These sections had already been allocated, on the 27th January, by the International Settlement Defence Committee. This Committee, which was presided over by the senior garrison commander,⁴ was composed of the garrison commanders, the chairman of the Shanghai Municipal Council, the Commissioner of the Municipal Police, and the Commandant of the Volunteer Corps. Its function was not to 'give orders to the various commanders as to the detailed measures they' were 'expected to take in defending their sections', but to 'allot

¹ There seems to have been an impression among the foreign (non-Japanese) community in Shanghai that the feelings of the Japanese naval officers, as they watched recent developments in Manchuria, had not been free from professional jealousy, and that Admiral Shiozawa aspired to the part played by General Honjo in Manchuria, and had been awaiting a suitable opportunity to 'teach the Chinese a lesson'. According to press reports, the Cabinet at Tokyo, on the 26th January, authorized the naval forces at Shanghai to take 'positive action' in the event of no satisfactory reply being returned to the Consul's demands, but it was believed that the action contemplated covered only such minor steps as the closing of Anti-Japanese Boycott Associations (see *The Times*, 27th and 28th January, 1932).

² *Omd.* 4021, p. 5.

³ *Op. cit.*, *loc. cit.*

⁴ Brigadier Fleming, who was in command of the British force.

the sections', help 'in co-ordinating the action taken by the various commanders', and fix the 'main principles of defence'.¹

In allocating the sections on the 27th January, 1932, the Defence Committee appears to have departed, in an important respect, from the precedents which had been set on the previous occasions when it had been deemed necessary to arrange for the protection of the International Settlement at Shanghai against possible aggression. At the beginning of 1927, as on two earlier occasions in 1924 and 1925, the military cordon which encircled the International Settlement had not followed the boundaries of the Settlement throughout its course, and in certain sectors the line had trespassed on to Chinese territory.² In 1927, the line had been extended westwards from the boundary of the International Settlement as far as the Shanghai-Hangchow-Ningpo Railway line, to include a section of Chinese territory which was bounded on the north-west by Soochow Creek and Jessfield Park, on the west by the railway line, and on the south by a line running south-eastwards from the railway and joining the French Settlement at about the middle of its western boundary. This district was included within the cordon both for strategical reasons and because the inhabitants included a large number of foreigners; but the area adjoining Hongkew Park beyond the Settlement boundary on the north-east, where there were many Japanese residents, was not included, although Japanese troops appear to have been stationed there in order to protect their nationals.³ The northern line of defence in 1927 followed the Settlement boundary eastwards to the Point at Yangtsepoo.⁴ In 1932, however, the Defence Committee appears to have decided—presumably because the Japanese were the foreigners whose lives and property were in the greatest danger—that the scheme of defence must be enlarged to cover the Hongkew Park salient as well as the western area outside the boundaries of the Settlement.

This salient in the neighbourhood of Hongkew Park, outside the boundaries of the Settlement, projected 'like a promontory' into the Chinese area of Chapei and 'the jurisdiction was partly Chinese and partly international in a very complicated manner'.⁵ Hongkew Park, and the two principal roads running through the district—North Szechuan Road and Dixwell Road—were the

¹ *Op. cit.*, *loc. cit.*

² See the *Survey for 1927*, p. 379.

³ See *The Times*, 22nd March, 1927.

⁴ These particulars regarding the line of defence in 1927 are taken from the *Annual Report* of the Shanghai Municipal Council for that year.

⁵ Statement by the Japanese representative, Mr. Matsudaira, at the Special Session of the League Assembly on the 3rd March, 1932.

property of the Shanghai Municipal Council.¹ Along these roads and in their vicinity lived a large number of Japanese nationals,² and although the Municipal Police were normally responsible for the maintenance of order along the roads which were the property of the Council, Japanese marines had 'always maintained posts along the . . . municipal roads . . . for the protection of their nationals, and their naval headquarters were situated towards the end of this salient'.³

In 1932, as in 1927, all the principal Powers which had interests at Shanghai were required to take part in the arrangements for the defence of the Settlements, and in allocating the zones the general principle followed was that as far as possible a section in which the interests of any one Power predominated should be assigned to that Power to guard. On this principle, the north-eastern sector of the International Settlement, together with the Hongkew Park salient, was assigned to Japan.⁴ The limits of the Japanese sector were described as follows by the Consuls of the neutral Powers. It 'consisted of the whole north-eastern area of the Settlement, limited on the western side by North Honan Road. It comprised also, from the point of view of the Shanghai Defence Committee, an area outside the Settlement limited on the west by North Kiangsi Road and the Woosung Railway, on the north by the northern border of Hongkew Park, on the east by a line joining roughly the north-east corner of Hongkew Park and Harbin Road Police Station.'⁵ It should be noted

¹ On the question of these 'extension roads', see the *Survey for 1926*, p. 370.

² About 10,000, or a third of the total Japanese population of Shanghai, according to Mr. Matsudaira (*loc. cit.*), about 6,000 according to Mr. Sato (statement to the Council of the League of Nations on the 29th January, 1932).

³ *Cmd.* 4021, p. 6.

⁴ The section outside the Settlement on the west was divided between Great Britain and Italy. (See the map of Shanghai which was prepared for the Lytton Commission and which was published as Map No. 11 annexed to their report.)

⁵ *Cmd.* 4021, p. 5. It will be seen that the testimony of the Consuls supports the Japanese contention that Admiral Shiozawa, in attempting to occupy the Hongkew Park salient as he did during the night of the 28th January, was not going beyond the instructions of the Defence Committee. (The Japanese did not deny that Admiral Shiozawa's subsequent proceedings were taken on his own responsibility.) It should be noted, however, that the Chinese did not accept this contention as valid. See, for instance, a telegram from the Nanking Government to the Chinese delegation at Geneva, dated the 1st February, 1932, and printed in Annex XVII to the minutes of the sixty-sixth session of the League Council, in which Wu Te-chen was declared to have reported that the Japanese Consul-General had admitted, in the presence of the British and American Consuls, 'that the penetration of the Japanese troops into the Chinese district had not been in conformity with the original decision reached

that, while the population of the Hongkew district was mixed Chinese and Japanese, there was no clear-cut boundary between that district and the densely populated maze of narrow lanes and alleys which constituted the Chinese urban area called Chapei, and that the Woosung Railway line, which formed the western limit of the sector assigned to Japan by the Defence Committee, lay well within the Chinese area.

Thus the decision of the Municipal Council to declare a state of emergency as from 4 p.m. on the 28th January, 1932, meant, in effect, that at that hour Japanese troops would be authorized, by a body representing all the foreign Powers with interests at Shanghai, to go outside the boundaries of the International Settlement and to occupy a portion of Chinese-administered territory which formed part of an area that was believed to be held by a strong force of Chinese troops.¹ In view of the state of extreme tension which existed between the Chinese and the Japanese at Shanghai on the 28th January, 1932, it can hardly have been anticipated that this Japanese occupation of Chinese territory could be effected without encountering opposition. The danger of a clash might perhaps have been diminished if the Chinese Mayor (who had shown himself genuinely anxious to avoid trouble) had been warned in advance that a Japanese occupation of the Hongkew Park salient formed part of the defence scheme which would come into operation simultaneously with the declaration of a state of emergency. It appears, however, that the authorities of the International Settlement did not notify the Chinese authorities of the plan in regard to this 'extra-settlement' sector²—an omission which was the more surprising in view of the fact that this sector had not been included in the defence scheme in 1927.³

at the International Settlement Defence Conference, but was an action taken under the initiative of the Japanese troops for the protection of their nationals, and that Japan would bear the whole responsibility'.

¹ See p. 473 above.

² On this point the Consular Committee reported as follows: 'It does not appear that the Chinese authorities previous to the events starting at 11 p.m. on the 28th January had received any communication about this outside Japanese section.' (*Cmd.* 4021, p. 6.) The Chinese stated categorically that the result of the Defence Committee's deliberations regarding the demarcation of areas for defence 'was not announced and not communicated to the Chinese authorities'. (Communication dated the 31st January, 1932, from the Chinese delegation to the Secretary-General of the League of Nations.)

³ A possible explanation of this omission was that the Defence Committee may have decided on the occupation of the extra-settlement section only as an emergency measure. This explanation would tally with the Consular Committee's statement (quoted on p. 483 below) regarding the arguments used by the Japanese authorities in defence of their action on the 28th-29th January.

(b) JAPANESE OPERATIONS IN AND ROUND SHANGHAI
(28TH JANUARY-3RD MARCH, 1932)

Soon after 4 p.m. on the 28th January, British and American troops began to occupy the sectors assigned to them for defence, including, presumably, the western district outside the Settlement which had been allocated to Great Britain;¹ but the Japanese 'made no attempt to occupy the extra-settlement section when the state of emergency came into force'.² During the night of the 27th January, an influx of Chinese into the Settlement from Chapei had begun, and during the 28th, according to the Japanese version, 'there was much confusion in the neighbourhood of North Szechuan Road and Dixwell Road. . . . Agitators and soldiers in disguise . . . mingled with the crowd. Several of these were discovered and arrested. . . . In the night the Chinese policemen in the Japanese quarter left their posts.'³ It was 'in view of the critical situation in which Japanese nationals thus found themselves'⁴ that Admiral Shiozawa decided to occupy the extra-settlement portion of the Japanese zone of defence. At 11 p.m. on the 28th, Admiral Shiozawa 'issued two proclamations, copies of which were served on the Mayor, who declared he had received them at 11.15 p.m.'⁵ These two proclamations ran as follows:⁶

I. General restlessness prevails in and outside the International Settlement in Shanghai and there are signs that the situation is being further aggravated. In view of this state of affairs, the Shanghai Municipal Council has proclaimed a State of Emergency in the Settlement and the military and naval forces of various countries have respectively taken their positions for the defence of the Settlement.

The Imperial Navy, feeling extreme anxiety about the situation in Chapei, where Japanese nationals reside in great numbers, has decided to send out troops to this section for the enforcement of law and order in the area.

In these circumstances I earnestly hope that the Chinese authorities will speedily withdraw the Chinese troops now stationed in Chapei to the west of the railway⁷ and remove all hostile defences in the area.⁸

¹ Italian troops occupied a small north-eastern sector of this district on the 29th January.

² *Cmd.* 4021, p. 6.

³ Statement by Mr. Sato to the League Council on the 29th January, 1932.

⁴ Mr. Sato, *loc. cit.*

⁵ *Cmd.* 4021, p. 6.

⁶ English translation from the Chinese text.

⁷ i.e. the Shanghai-Woosung Railway.

⁸ This proclamation does not clear up the question of Admiral Shiozawa's exact intentions during the night of the 28th/29th January, which remain a matter for conjecture. The text indicates that his declared object was to reach

II. In accordance with the state of emergency declared by the Council of the International Settlement, the Japanese Navy has assumed the duty of preserving directly peace and order within the garrisoning area assigned to it.

During the state of emergency all meetings deemed as constituting a hindrance in the current situation shall be prohibited, and actions considered necessary for the proper execution of the duties involved in the state of emergency shall be taken.

Subsequent events were described by the Consuls of the neutral Powers in the following terms: 'Japanese marines and armed civilians having mobilized¹ . . . at naval headquarters, the forces advanced along North Szechuan Road, dropping parties at entrances to alleyways as they went along, and, at midnight, at a given signal, all these parties advanced westwards and northwards in the direction of the railway. The final party of about 100 marines, accompanied by armoured cars, attempted to pass through the gates dividing the Settlement from Chinese territory at the end of Honan Road, but were prevented by the Shanghai Volunteer Corps, in whose section the gate is situated. This gate leads to the railway station.'²

'The Chinese military authorities had not complied with the Japanese Admiral's demands to withdraw their troops. It would appear, moreover, that even had they decided to comply with this demand, it would have been impossible in the short time at their disposal to arrange for the actual withdrawal of Chinese troops in that area. One should take into account also the tension created by the situation of the previous days, which would induce the Chinese authorities to interpret the measures taken by the Japanese naval authorities as representing part of larger military operations. Japanese marines consequently met with resistance on the part of Chinese regular troops. They succeeded in reaching the railway line so far south as Paoting Road, but they do not appear to have succeeded in reaching the line south of that point and their line then ran east of

the Shanghai-Woosung Railway line, which had been fixed as the western limit of Japanese occupation by the Defence Committee, but not to cross the line. On the other hand, the extremely short notice which he gave to the Chinese authorities of his intended action bears out the supposition that the prospect of coming to blows with the Chinese was not unwelcome to him.

¹ One word was undecipherable at this point in the Consul's report.

² The Consuls, at the request of the Chinese delegation at Geneva, subsequently gave the following supplementary information in regard to this incident: 'The Honan Road Gate gives access from the Settlement to Chinese territory not comprised in the defence scheme, and strict instructions, based on the principle that the duties of the defence force are defensive and not offensive, had been given by the Commandant of the Shanghai Volunteer Corps, in whose section it is situated, that in no circumstances was it to be opened to permit of either entrance or exit.'

the railway until it reached the Settlement boundary between North Honan and North Szechuan Roads. The Japanese were harassed by a Chinese armoured train, which issued from the station and patrolled the Woosung line. Subsequently, it took refuge in the station, which was also strongly defended by Chinese troops. Thereupon the Japanese, during January 29th, bombarded the station and destroyed the train by aeroplanes. Other buildings along Paoting Road¹ were also burned by incendiary bombs, and it is generally thought this was done deliberately in order to destroy vantage posts overlooking the Japanese lines.'

At the beginning of these operations at midnight on the 28th/29th January, the Japanese marines engaged appear to have numbered no more than 1,500, but during the night reinforcements were landed from the warships in the harbour, bringing the total force up to 3,000. The order to bomb the North Railway Station and other points where Chinese troops were believed to be concentrated was apparently given by Admiral Shiozawa at about 4.30 a.m. on the 29th. The Japanese maintained that care was exercised in the selection of objectives in order to avoid injury to the civilian population, but, according to some eye-witnesses, the Japanese seaplanes flew too high for accuracy to be possible. In any case, the fires which were started by the incendiary bombs spread rapidly until the greater part of Chapei, as seen from the International Settlement, appeared to be in a blaze.² This bombing of a crowded area, without warning, was bound to cause great loss of life and material damage, and it struck terror into the hearts of the hundreds of thousands of harmless civilians whose homes were in Chapei. It was this feature of the Japanese operations which made the most painful impression upon international public opinion. Admiral Shiozawa could plead that the disproportion between the Japanese and Chinese forces engaged³

¹ Paoting (or Paohsing) Road ran in a north-westerly direction from the Woosung Railway through Chapei. The Chinese Commercial Press, the foremost Chinese printing establishment in the world and the largest, either Chinese or foreign, in China, which contained a valuable library, was situated at the south-eastern end of this road, near the railway. It was completely destroyed.

² According to Reuter's correspondent, by 5.30 a.m. on the 29th January 'Chapei had the appearance of one blazing bonfire' which seemed to be creeping gradually towards the International Settlement. The flames were 'leaping 75 to 100 feet into the air, and the roar of the conflagration' was 'audible at a great distance'. (*The Manchester Guardian*, 30th January, 1932.)

³ The number of Chinese troops who were actually in Chapei and the outskirts of Shanghai during the night of the 28th/29th January cannot be exactly determined. The Japanese declared that there were over 30,000, and, although this was probably an over-estimate, there seems to be no doubt that the Japanese were very heavily outnumbered.

made air action inevitable, but he convicted himself thereby of a fatal error of judgment in the tacit admission that he had undertaken operations which could hardly fail to lead to bloodshed with totally inadequate forces.

During the 29th January the Mayor of Greater Shanghai lodged with the consular body a protest against the Japanese action, which had been taken in spite of the fact that his complete acceptance of the Japanese demands had been declared by the Japanese Consul to be 'entirely satisfactory'. The Japanese authorities, in reply, 'contended that their action was not connected with the demand which they had made and which had been accepted, but was based on the necessity of protecting the Japanese population living in part of the area occupied.'¹ They also maintained that their action, which met with armed resistance, and for which they took full responsibility, was within the limits admitted, if necessity arose, by the International Settlement defence plans.'² The Mayor also appealed to the consular body for assistance in bringing about a cessation of the fighting, which continued throughout the 29th, and in response to this appeal the British and American Consuls-General, during the afternoon, had an interview with Admiral Shiozawa and obtained from him a promise that he would order his troops to 'cease fire' if the Chinese would do likewise. Wu Te-chen gave orders accordingly to the commander of the Chinese forces, General Tsai Ting-kai, and an 'agreement to refrain from further firing'³ came into force at 8 p.m. on the 29th.

This agreement was observed, more or less, until about midday on the 2nd February, but a 'complete truce never really existed'.⁴ There was intermittent firing throughout the period of the truce, and during the 31st January Japanese aeroplanes 'flew over Shanghai and the Chinese positions, but without any bombardment'.⁵ Each side accused the other of breach of the truce; but, as the Consuls of the neutral Powers pointed out in their second report, 'in the absence of foreign observers in the fighting lines, it was impossible to establish which side should be held responsible for breaking the truce. Individual units on either side, or even "agents provocateurs", may have been responsible.'⁶

¹ Compare the statement made by Mr. Matsudaira at the Special Session of the League Assembly on the 3rd March, 1932: 'It was entirely contrary to every intention of ours that a collision should have come to pass, and it is to be specially noted that it occurred from a cause entirely independent of the incident of the Buddhist priests, which had been closed by the Mayor's acceptance of our demands.'

² *Cmd.* 4021, p. 7.

³ *Op. cit.*, *loc. cit.*

⁴ *Cmd.* 4021, p. 9.

⁵ *Op. cit.*, p. 8.

⁶ *Op. cit.*, p. 9.

The situation in the Japanese sector during these few days was described by the Consuls as follows:¹ 'From the beginning of the Japanese movement on the night of January 28th, the Japanese section was invaded by Chinese plain-clothes troops, who concealed themselves inside, or on the roofs of, houses, whence they fired on the Japanese patrols in the streets with automatic pistols. It should be mentioned that the Japanese, who seem to have had insufficient regular forces for the defence of the area they occupied, had mobilized and armed all their so-called reservists, who wore civil clothes distinguished by brassards.'²

'Marines and reservists responded to the sniping of the Chinese plain-clothes soldiers by machine-gun fire, and also by house-to-house search in order to locate snipers, in the course of which very considerable damage was done, houses even being set on fire in order to get rid of snipers.

'The Japanese naval authorities took complete control of the Hongkew district inside the Settlement, barricaded streets, disarmed the police, and paralysed all the other municipal activities of the Settlement authorities, including the fire brigade. Police posts were prevented from all communication with their headquarters. The Shanghai Municipal Council was forced to evacuate schools and hospitals. Numerous excesses, including summary executions, were committed by marines, reservists and³ . . . the last mentioned, who had no official standing, being actuated probably merely by a spirit of revenge against the Chinese for earlier anti-Japanese activities. A reign of terror resulted, and almost the entire non-Japanese population of the area ran away.'⁴

¹ *Op. cit.*, *loc. cit.*

² The Japanese delegation at Geneva commented as follows on this passage of the Consuls' second report: 'It is not quite correct to speak of the mobilization of reservists. No general measure of this kind was adopted. A small number of volunteers armed with pistols was deputed to take action against Chinese snipers and to assist the police.' (Observations of the Japanese delegation on the second report of the Consular Committee, printed in *opp. cit.* in footnote on p. 471.)

³ One or more words were undecipherable at this point in the Consuls' report.

⁴ By the 1st February it was estimated that a quarter of a million Chinese refugees had entered the Settlement. In their second report, which was dated the 12th February, the Consuls stated that, on the 5th February, 'owing to the large number of Chinese who were believed to have been arrested or put to death by the Japanese, and of whom no trace could be found, the Municipal Council asked the Consular Body to approach the Japanese authorities with a view to inquiry. The Japanese Consul admitted that excesses had been committed by his nationals at a time when feeling was running high and chaotic conditions prevailed, but the situation was greatly

During this period of nominal truce at Shanghai an incident took place¹ which 'created much excitement and alarm, even outside China'. This was the 'short bombardment of Nanking' by Japanese warships. This bombardment 'happened on the late evening of the 1st February, but did not last for more than an hour. The incident was probably caused by a misunderstanding, but had the important consequence of a temporary removal of the Chinese Government from Nanking to Loyang.'

'Chinese and Japanese versions both of the origin and of the facts' were 'widely divergent. Two justifications were given . . . from Japanese sources. The first was that, since the outbreak of hostilities at Shanghai, the Chinese had extended the Lion Hill Forts, constructed trenches and established artillery positions at the gates near the river and on the opposite side of it, thus making military preparations on a scale sufficient to arouse concern amongst the Japanese, who had warships on the river. The second was that the vernacular papers had spread untruthful stories of Chinese victories at Shanghai, which had caused great excitement among the Chinese population of Nanking. In consequence, Chinese employed by Japanese were, it' was 'alleged, forced by threats to give up their situations, and Chinese merchants refused to sell even the necessary food supplies to Japanese residents, including the Consular staff and the crews of warships.

'The Chinese did not comment on these complaints. They' asserted 'that the general uneasiness and tense atmosphere prevailing were caused by the fact that the Japanese, after the Shanghai outbreak, increased the number of their warships at Nanking from two to five, and subsequently to seven (the Japanese authorities give the number as six, these being three old gunboats and three destroyers); that the Commander of the warships landed a certain number of sailors and put them on guard duty before the wharf of the *Nisshin Kisen Kaisha*, where the Japanese Consular staff and all the Japanese residents had taken refuge on a hulk. With the events of Shanghai fresh in their memories, such measures may well have filled the minds of the already-excited population at Nanking with fears of a similar experience.'

improved and he agreed that persons arrested as suspect by the naval authorities within the Settlement should be handed over to the Municipal Police. This was accordingly done, but the number of Chinese still unaccounted for is very large. The Municipal Police have already collected details of about 100 cases.' (*Cmd.* 4021, pp. 9-10.)

¹ The following account of the Nanking Incident of the 1st February, 1932, is taken from the Report of the Lytton Commission (League of Nations: *Appeal of the Chinese Government: Report of the Commission of Inquiry* [Geneva, 1932]), pp. 87-8.

It was known 'from a report of the Police Commissioner of Nanking to the Ministry of Foreign Affairs that the authorities at Nanking who were solely responsible for the protection of their own subjects and of foreign nationals at that place greatly resented the landing of Japanese naval forces. They addressed representations to the Japanese Vice-Consul, who replied that he was unable to do anything in the matter. At the same time, special instructions were given to the local police-station at Hsiakwan, where the warships were anchored and the above-mentioned wharf was situated, to prevent, if possible, any contact between Chinese and Japanese in this area, especially at night-time. According to the Japanese official reports, their refugees were taken on board a steamer of the name *Nisshin Kisen Kaisha* during the days following the 29th January, and a considerable number were transported to Shanghai. On the late evening of the 1st February, the Japanese' asserted 'that three gunshots were suddenly fired, apparently from the Lion Hill Forts. At the same time, Chinese regulars fired on the Japanese naval guards on the river banks, causing two casualties, of which one was fatal. The fire was returned, but directed only at the immediate neighbourhood of their landing-place and stopped as soon as the firing from the shore had ceased. Such' was 'the Japanese version. The Chinese, on the other hand, stoutly' denied 'that any firing at all took place, but' alleged 'that eight shells in all were fired at the forts, at Hsiakwan station and at other places, accompanied by machine-gun and rifle firing, and that during this time search-lights were directed at the shore. This caused considerable panic amongst the inhabitants, who rushed into the interior of the city; but no casualties were reported and the material damage was not great.'

It was 'also possible that the incident was first started by the firing of crackers by the excited Chinese population, celebrating a supposed victory at Shanghai'.

During the period 29th January–2nd February, reports were current of the continual arrival of fresh Chinese troops in the neighbourhood of Shanghai, and the Japanese marines were also reinforced. On the 29th January, the Japanese Consul-General appears to have telegraphed to Tokyo that the naval forces available were not adequate to cope with the situation;¹ and on the 31st January a Japanese cruiser, with an additional force of marines on board, arrived at Shanghai. On the 2nd February, at a meeting between the Japanese

¹ The Consul-General's view seems to have had the support of the Japanese Military Attaché, but Admiral Shiozawa was said to have informed the Government that he did not need reinforcements.

Ministers for War, the Navy and Foreign Affairs, a provisional decision was taken to despatch an army division to Shanghai, and this decision was confirmed by the Cabinet on the 4th February,¹ after attempts made by the representatives of the other Shanghai Powers to establish a neutral zone between the Chinese and Japanese forces had broken down,² and any pretence that a truce was in force at Shanghai had been abandoned.

According to the Consuls of the neutral Powers, Admiral Shiozawa, on the 2nd February, had 'again alleged breach of truce by the Chinese on the previous days, adding that, as it seemed clear that the Chinese were assembling forces with a view to surrounding the Japanese, he was going to send up aeroplanes to reconnoitre. About midday, Japanese aeroplanes flew over Shanghai and over the Chinese positions. They were fired upon by the Chinese, whereupon the aeroplanes dropped bombs, and in a short time general firing by both sides recommenced.'³ On the following day the Japanese naval authorities announced that, 'as the Chinese authorities had consistently failed to display sincerity in the carrying out of their engagements, the Chinese troops must be withdrawn a sufficient distance from Chapei, and to effect that object Japanese aeroplanes might be forced to bombard the Chinese positions. Later on the same day, the Japanese Consul-General informed the Consular authorities that three Japanese destroyers had been fired upon from the Woosung forts,⁴ and the Japanese therefore intended to occupy the forts.'⁵ From the 3rd February onwards, a 'state of open war' existed. 'Firing' continued 'intermittently, both in the Chapei and the Woosung area, with the use of artillery and, on the side of the Japanese, of aerial bombardment. The offensive' was 'entirely in the hands of the Japanese, whose declared object' was 'to capture the Woosung forts and to drive all Chinese troops a considerable distance from Shanghai'.⁶

The Japanese found both these objectives unexpectedly difficult to attain. The Japanese marines, though reinforced, were still not in sufficient strength to dislodge the Cantonese troops from the smoking ruins of Chapei. The Chinese clung tenaciously to their positions, in spite of heavy bombardment from the air⁷ and from

¹ See p. 506 below.

² See pp. 503-4 below.

³ *Cmd.* 4021, p. 8.

⁴ This was denied by the Chinese. A circumstantial report had been current in Shanghai on the 29th January that Japanese warships had bombarded the Woosung forts and landed a dismantling party during the previous night; but this report proved to be entirely unfounded.

⁵ *Op. cit.*, *loc. cit.*

⁶ *Op. cit.*, pp. 8-9.

⁷ On the 5th and 6th February Japanese aeroplanes dropped bombs on one of the camps of flood refugees, which had been established by Sir John Hope

Japanese artillery; and although the Japanese gained a little ground from time to time they were generally forced to retire again by Chinese counter-attacks. In the Woosung area, the Chinese resistance was no less stubborn;¹ and there, as at Chapei, the Japanese were hampered by the nature of the terrain. The Woosung fort, which commanded the mouth of the Whangpoo River and was thus in a position seriously to inconvenience, by its fire, Japanese warships and transports on their way to Shanghai, stood on an island formed by the rivers Yangtse and Whangpoo and the Woosung Creek. The area between Woosung and Chapei was a marshy plain, intersected in every direction by canals and creeks.² At Woosung itself, the Chinese, in addition to holding the forts, entrenched themselves in the village to the north of the creek, and were able to withstand for nearly a month³ the attack of increasing numbers of Japanese marines and soldiers, whose superiority in the modern equipment of war was rendered of little avail by the nature of the ground, and who found, contrary to their expectations, that the Chinese were not to be intimidated either by long-range shelling from warships in the Whangpoo or by bombardment from the air. The Japanese attack both at Chapei and at Woosung became more vigorous in the second week of February, when detachments of the Ninth Army Division began to arrive. On the 8th February, Vice-Admiral Nomura, who had been appointed to take over the command of the Japanese naval

Simpson near Chapei. (Sir John Hope Simpson had been appointed Director-General of the National Flood Relief Commission by the League of Nations Council at the request of the Chinese Government—see the *Survey for 1931*, p. 397.) Over 50 people were killed by the bombs or died of fright. The camp was bombed again on the 7th February, but by that time the refugees had been evacuated. On the 11th February, Sir John Hope Simpson telegraphed to the League of Nations, protesting 'in the name of humanity' against this Japanese action, which he characterized as 'wanton, inhuman, and from the military standpoint, useless'. The Japanese expressed their 'deep regret' for this incident, which was said to be due to a 'deplorable mistake'. (Communication, dated the 15th February, from the Japanese delegation at Geneva to the Secretary-General, printed on p. 425 of the *League of Nations Official Journal* for March 1932. For Sir John Hope Simpson's telegram, see *op. cit.*, p. 400.)

¹ The Woosung fort, like Chapei, was held by a portion of the Cantonese Nineteenth Route Army.

² 'The land is soft and marshy, suitable for rice fields, which are sunken quadrangles of land, filled, in the early rice season, with water in which the seeds and young shoots grow. The narrower creeks and canals are employed for irrigating the rice fields; the wider and deeper ones for navigation by the small sampans which are the only means of transportation. Swamp in summer and winter, never with more than a thin layer of ice in winter, without an elevation in any direction, the terrain is flat and desolate.' (Mr. G. E. Sokolsky in *The New York Times*, 20th February, 1932.)

³ The Japanese crossed Woosung Creek on the 14th February, but they did not take the fort until the 3rd March.

forces from Admiral Shiozawa,¹ reached Shanghai, and on the following day the first contingent of troops landed at the Japanese docks in the International Settlement.² In spite of these reinforcements, the Japanese made little or no progress during the next few days, and it became evident that if they were to attain their object of driving the Chinese from Chapei and Woosung they would have to await the arrival of additional forces.

On the 11th February it was reported in Shanghai that two army divisions instead of one were on their way from Japan; on the 13th General Ueda, who had been appointed to command the Japanese land forces, arrived at Shanghai; and during the two following days Japanese troops belonging to the Ninth Division and a mixed brigade drawn from the Twelfth Division were landed in or near Shanghai or at Woosung, to the number, it was believed, of nearly 20,000.

During this period of virtual stalemate the Chinese had been entrenching themselves along an eight-mile line stretching from Chapei to Woosung. The military ardour of the Chinese people had been greatly stimulated as a result of the gallant resistance of the Cantonese troops, whose successes had been considerably exaggerated in Chinese versions; and for a time it looked as though Japanese aggression might have done more, in a few days, towards reconciling rival war-lords and parties than could have been achieved by the effort of years under the ordinary conditions of Chinese politics.³ On the other hand, Japanese national sentiment had also been strongly roused by the check which the marines had encountered; and it was clear that this loss of prestige would only be wiped out, in Japanese eyes, by some change in the situation which could be represented as a Japanese victory. There was thus a grave danger not only that the operations round Shanghai might develop on an increasingly serious scale until the superiority of Japanese armaments had produced its inevitable local result, but also that a temporary Chinese retreat might prove to be merely the prelude to a war of

¹ Admiral Shiozawa was not superseded, but continued to serve under Admiral Nomura.

² For the protests made by the representatives of other Powers against this continued military use of the Settlement on the part of the Japanese, see p. 500 below.

³ On the 8th February a newly created Military Affairs Committee of the Government, which now had its headquarters at Loyang, was reported to have issued a manifesto calling upon the people to support a prolonged struggle against foreign aggression and declaring that domestic complications and divisions were forgotten. This manifesto bore the signatures of Chiang Kai-shek, Wang Ching-wei, Fêng Yü-hsiang, Chang Hsüeh-liang, Yen Hsi-shan and eight other leaders.

attrition between the Chinese nation and a Japanese Expeditionary Force—a war in which the Japanese, however great their superiority in technique and material and their expenditure in men and in money, could never hope to inflict a decisive defeat upon their enemy. These considerations, as well as the immediate danger to the foreign inhabitants of Shanghai of a pitched battle in the neighbourhood, prompted the representatives of the foreign Powers not to relax their efforts to bring about a suspension of hostilities.¹ Their intervention, however, proved ineffective so long as the Japanese were unable to claim that they had attained their objectives, nor did the despatch, on the 16th February, of a strongly worded note from the members of the League Council (other than China and Japan)² avail to turn the Japanese from their purpose.

On the 16th February the Japanese War Office announced that General Ueda had been authorized to hand to the Chinese Commander an ultimatum requiring him to withdraw his troops from Shanghai within twenty-four hours, and last-minute efforts to avert the delivery of this ultimatum met with no success. At the suggestion of the neutral diplomatic representatives at Shanghai, a meeting between the Chiefs of Staff of the Chinese and Japanese Commanders was held on the morning of the 18th February. The 'Japanese representatives presented their terms, which the Chinese representatives declared were unacceptable. After two hours' fruitless discussion the Japanese representative said that the Japanese side would send in a written communication of their terms before 9 p.m., and he hoped that the Chinese would return a reply as soon as possible. The meeting then broke up. At about 9 p.m. a separate despatch containing the Japanese terms was delivered to the Mayor and to the Commander of the Chinese Nineteenth Army.'³ The terms of this Japanese ultimatum were as follows:⁴

1. The Chinese troops shall withdraw from all the points within a distance of twenty (20) kilometres from the boundary of the International Settlement to the north of the following lines—namely, the northern boundary line of the Settlement; a line connecting the north-

¹ See sub-section (d) below.

² See pp. 565-6 below.

³ Quoted from the third report of the Consular Committee. (*Cmd.* 4040, p. 7.)

⁴ More than one version of this ultimatum was current in Shanghai, and the different texts did not correspond exactly in certain particulars—for instance, in regard to the limits of the zone to be evacuated. The version here given is a translation from the official Japanese text, which was appended to the observations of the Japanese delegation at Geneva on the third report of the Consular Committee.

westernmost end of the Settlement, Tsaochiatuchen, Chouchiachiao and Pusungchen and running outward from the last-named position; and on the right of the Whangpoo River a line connecting Lannitu and Changchia Louchen and running outward from these positions respectively;¹ the aforesaid withdrawal of the Chinese troops shall be effected by completing the withdrawal of the forefront by 7 a.m. on February 20th, 1932, and that of the remainder by 5 p.m. on the same day. All the forts and other military equipments of China shall be removed from and shall not be reinstalled or newly erected within the aforesaid distance of twenty kilometres. The Shitzulin forts² shall be deemed to be within the same distance.

The Chinese authorities shall protect the lives and property of the Japanese subjects in districts around Shanghai other than the aforesaid area evacuated by the Chinese troops; in the event of the protection accorded by the Chinese authorities being unsatisfactory, the Japanese authorities may take such measures as they consider necessary. The Chinese authorities shall completely suppress all the activities of plain-clothes gunmen.

2. Upon having ascertained the withdrawal of the Chinese troops, the Japanese forces will maintain only the Extension Road area in the Hongkew district including the area around the Hongkew Park. The Japanese forces will not engage in attacks, shooting or bombardments after the commencement of the withdrawal of the Chinese troops but may carry on reconnoitring flights.

3. After the withdrawal of the forefront of the Chinese troops, the Japanese forces will despatch their representatives accompanied by bodyguards to ascertain the completion of the withdrawal.

4. Further negotiations shall be made with regard to the protection of foreign residents in districts around Shanghai, including the area evacuated by Chinese troops .

On the following day, the 19th February, 'a reply was delivered by the Mayor to the Japanese Consul and by the Chinese Commander to the Japanese Commander. The Mayor stated that the grave situation in Shanghai was due to the invasion of Chinese territory and the brutal murders of Chinese people by Japanese troops in violation of all international treaties and law. Inasmuch as the measures called for in the Consul-General's letter had a direct bearing on the general relations between China and Japan, they should be dealt with by the diplomatic authorities of the two countries, and he had therefore transmitted the Consul-General's letter to his Government for consideration and reply to the Japanese Minister through

¹ The line was described as follows in the third report of the Consular Committee (*op. cit.*, p. 7): 'The line formed by the north border of the Settlement and the Soochow Creek to Pusungchen and on the east of the Whangpoo a line from Lannidu to Changchiachio. This is practically the line of the Soochow Creek extended eastward.'

² The Shitzulin or Ssetzulin forts were situated on the southern bank of the Yangtse estuary, six or seven miles north-west of Woosung.

the Ministry of Foreign Affairs. He pointed out, further, that Chinese indignation had been daily intensified by continued acts of provocation by Japanese troops, and it was natural, therefore, that so-called anti-Japanese activities should fail to cease. The Chinese Commander's reply was to the effect that his troops were part of the national forces and subject to the directions of the National Government, to whom accordingly he had submitted the Japanese commander's letter.'

The 'Chinese Foreign Minister's reply to Japan, which was despatched on the 20th February, took the form of a vigorous protest lodged with the Japanese Minister in China against the action of the Japanese Commander and the Consul-General in delivering their identical note to the Commander of the Chinese Nineteenth Route Army and the Mayor of Greater Shanghai. The . . . note stated that . . . the local Chinese garrison forces were constrained to resist the onslaught of the Japanese forces as a measure of self-defence. . . . It concluded by declaring that should the Japanese forces attempt to renew their attack, the Chinese troops would not hesitate to resist to the best of their ability.'¹

Before this note from the Chinese Foreign Minister was delivered, the Japanese offensive had begun. During the night of the 19th/20th February, 'Japanese reinforcements were moved from their base in the International Settlement to the Japanese lines, and after a preliminary aerial reconnaissance which satisfied the Japanese that the Chinese had not evacuated their lines in conformity with the demand, the Japanese opened their attack on the 20th February at 7.30 a.m. in the Kiangwan and Woosung areas.'²

During this final phase of the operations, which lasted from the 20th February until the 3rd March, the aim of the Japanese was to compel the Chinese to withdraw from the Shanghai area without making a direct attack in force on Chapei (which would almost certainly involve complications with the other foreign Powers who had interests at Shanghai). Accordingly their offensive was directed in the first place mainly against Woosung, the capture of which would enable them to turn the Chinese flank, and against Kiangwan, a large village some four miles from the northern border of the International Settlement at Shanghai, which marked the centre of the Chinese line. The operations against Chapei were confined to intermittent bombardment from the air and to occasional artillery fire, and it was round Kiangwan that the battle raged most fiercely for over

¹ Quoted from the third report of the Consular Committee, *op. cit.*, pp. 8-9.

² *Op. cit.*, p. 8.

a week—the Chinese once more displaying powers of resistance which astonished the whole world. The Japanese were enabled by their superior armaments to minimize the casualties on their side, but the Chinese clung tenaciously to their positions in spite of the ordeal of heavy gunfire and bombing from the air to which they were repeatedly subjected. On the 28th February representatives of the two belligerents, meeting under the auspices of a British Admiral, agreed provisionally on conditions for the cessation of hostilities;¹ but these conditions were not carried into effect, and the fighting continued until the Japanese had attained their object, and the Chinese had withdrawn from the neighbourhood of Shanghai.

This final phase of the conflict may be described in the words of the Lytton Commission.² The attack which opened on the 20th February 'brought no marked success to the Japanese troops, despite the fact that it was continued on the following days, but it enabled them to learn that parts of the so-called Chinese Bodyguard Army—viz., the eighty-seventh and eighty-eighth Divisions—were now fighting against them as well as the nineteenth Route Army. This fact, together with the difficulties which the nature of the country presented, decided the Japanese to reinforce their troops by two more divisions—namely, the eleventh and fourteenth.

'On the 28th February, the Japanese troops occupied the western part of Kiangwan, which had been evacuated by the Chinese. On the same day, the Woosung fort and fortifications along the Yangtse River were again bombed from the air and from the sea, and bombing-planes operated over the whole front, including the aerodrome at Hungjao and the Nanking Railway. General Shirakawa, who was appointed to the supreme command of the Army, arrived in Shanghai on the 29th February. From this date onwards the Japanese

¹ See pp. 507-8 below.

² *Lytton Report*, pp. 84-5. The Lytton Commission arrived in Tokyo on the 29th February, and when they reached Shanghai on the 14th March the fighting was over. The members of the Commission were therefore not eye-witnesses of the military operations, and they did not as a commission officially investigate the situation at Shanghai. But they 'heard the views of both the Chinese and the Japanese Governments on the Shanghai affair, and were the recipients of a large amount of literature from both sides on the subject'. They 'also visited the devastated area and heard statements from Japanese naval and military officers on the recent operations. In an individual capacity, too,' they 'had conversations with the representatives of many shades of opinion on matters which were fresh in the memory of every one living in Shanghai.' In their report they 'expressed no opinion upon the disputed points connected with' the Shanghai affair, but, 'for purposes of record', they completed 'the story of the operations from the 20th February' (the date of the third report of the Consular Committee) 'until the final withdrawal of the Japanese troops' (*Lytton Report*, p. 84).

headquarters announced substantial progress. In the district of Kiangwan they advanced slowly, and the Naval Headquarters stated that the opposing forces at Chapei showed signs of giving way as a consequence of the daily bombardment. On the same day the aerodrome at Hangchow, which is 100 miles distant from Shanghai, was bombed from the air.

'On the 1st March, as the frontal attack had advanced but slowly, the Japanese Army Commander initiated a wide enveloping movement by landing the main force of the eleventh Division at some distance on the right bank of the Yangtse River, in the vicinity of Tsiyakow, for the purpose of making a surprise attack on the left flank of the Chinese Army.' On the 2nd March, 'bombing operations' were 'extended as far as seven kilometres east of Quinsan station on the Shanghai-Nanking Railway, with the alleged object of preventing the transportation of reinforcements to the Chinese front'.¹

The landing of Japanese troops at Tsiyakow, within a day's march of the Chinese left rear, finally convinced the Chinese Commander that the time had come to evacuate his first line. The withdrawal of the Chinese troops began during the night of the 1st/2nd March; and when the Japanese renewed their attack at dawn on the 2nd they found that their enemy had already slipped through their fingers. The Chinese retreat appears to have been executed in good order, with occasional rearguard actions and under the cover of fires which were deliberately lighted in Chapei and in the principal villages along the line of march. By the 3rd March the Chinese had withdrawn well outside the twenty-kilometre limit mentioned in the Japanese ultimatum of the 18th February, and the Japanese had taken up a line which stretched in a curve from the western border of Shanghai to the right bank of the Yangtse below Chienching, with its centre at Chiating.² Woosung Fort was found to have been evacuated by the Chinese when the Japanese finally entered it on the 3rd March. On the afternoon of that day the Japanese Commander gave the order to cease fire, and a similar order was issued by the Chinese Commander on the following day. Occasional skirmishes were reported thereafter, but hostilities were not formally renewed, and the Shanghai 'war in everything but name' may be said to have

¹ On the 29th February, the Japanese Consul-General had conveyed a warning to the Chinese authorities that the Shanghai-Nanking Railway would be bombed unless the Chinese ceased to use the line for the transport of reinforcements.

² See the Map (No. 12) annexed to the *Lytton Report*, which shows the position of the combatants at various stages of the operations from the 20th February to the 3rd March.

ended, so far as the actual fighting was concerned, on the 3rd March—the day on which the special session of the League Assembly, which had been called, at China's request, to consider the Sino-Japanese dispute in all its bearings, held its first meeting at Geneva.¹

(c) THE QUESTION OF THE USE OF THE INTERNATIONAL SETTLEMENT AS A BASE OF JAPANESE OPERATIONS

As a result of the fighting between Japanese and Chinese forces at Shanghai which began during the night of the 28th/29th January, 1932, the authorities of the International Settlement and the foreign Powers, other than Japan, who had treaty rights at Shanghai found themselves in a position for which there was no precedent in the past history of the International Settlement and the French Settlement. It had become recognized by use and wont that the Settlements were neutral ground in regard to any neighbouring hostilities between Chinese armies engaged in civil war, and that the interested Powers had a right to protect this neutrality, when it was in jeopardy, by landing armed forces. On the previous occasions on which a military cordon had been placed round the Settlements, the problem before the international authorities had been how best to organize defence against possible Chinese aggression or internal disturbances, and the sole concern of the foreign Powers had been to protect the lives and property of their nationals by taking every possible precaution for the maintenance of peace and order. In this police action all the foreign Powers with interests at Shanghai had taken their share as a matter of course; and the difficulties which the Municipal Council and the Powers encountered in 1932 arose out of the fact that Japan, also, was one of the Lord's Anointed and enjoyed in that capacity the same prescriptive right as other Powers to land troops, in an emergency, for the defence of her nationals. The State of Emergency which the Municipal Council declared as from 4 p.m. on the 28th January, 1932, was the direct consequence of a Japanese act: the delivery of Admiral Shiozawa's ultimatum. But the international authorities could not for that reason prevent Japan from exercising her right to land troops, even though they had reason to apprehend that Admiral Shiozawa would take action exceeding the limits of the defensive measures necessary for the protection of Japanese nationals—either as a result of the rejection of his ultimatum, or, if the ultimatum were accepted, in order to 'teach the Chinese a lesson'.² It has been seen that the International Defence Committee carried the principle of the equal rights and responsibilities of all the Powers

¹ See section (iv) (c) (2) below.

² See p. 476 above.

to the point of assigning to Japan an even larger share than usual in the defence scheme, in spite of the strong probability that the Japanese marines would either take the offensive themselves or would provoke a Chinese attack by their presence on Chinese territory.

Japan could argue, of course, that in so far as she took the offensive at Shanghai on and after the night of the 28th/29th January, she was only acting in accordance with the maxim that attack is sometimes the best defence, and that there was no fundamental difference between her policy and actions in 1932 and those of Great Britain in 1927, when a British Defence Force had been despatched to Shanghai for the protection of British lives and interests.¹ In support of this contention, she could point to the fact that the British Government, in 1927, had envisaged the possibility of a 'grave emergency' in which British troops might have to take action outside the borders of the International Settlement.² In 1927, however, the British Government had acted throughout in co-operation with the other Powers and had notified the Council of the League of Nations, in advance, of the despatch of the British Defence Force. Moreover, the British Defence Force, on its arrival at Shanghai, became an International Defence Force under British command;³ and the British Commander—whether by good policy or by good fortune⁴—succeeded

¹ See the *Survey for 1926*, Part III A, section (xii) (f); the *Survey for 1927*, pp. 336, 338 n, 369–70.

² See the statement which was made by Sir Austen Chamberlain, the Foreign Minister in the British Government of the day, in the House of Commons at Westminster on the 10th February, 1927, which is quoted in the *Survey for 1926*, pp. 375–6.

³ Major-General Sir John Duncan, who commanded the British Defence Force in 1927, told a British audience on the 22nd February, 1932, that 'practically all . . . the international troops asked to come under' his command. 'The only troops that did not do so were the Japanese, and they stated publicly that if they did come under me they would be at war with China in a month. They obviously thought that I should adopt the same sort of attitude as they have adopted to-day.' (Extract from a speech by Sir John Duncan at a discussion on 'The Shanghai Crisis' at Chatham House on the 22nd February, 1932, as reported in *International Affairs*, March 1932.)

⁴ On this point Major-General Sir John Duncan testified as follows on the 22nd February, 1932:

'In Chapei in 1927 I had two men killed and six or seven wounded in a couple of days . . . I was terrified that in consequence of the outrages in Chapei I should have been compelled to use force, as the Japanese have used it, however much I disliked doing so. I say that on behalf of the Japanese. . . . The Japanese have constantly referred to the despatch of the Shanghai Defence Force as the justification of what they are doing to-day. . . . The object for the despatch of the two forces, on the face of it, is identical—to defend and protect our own nationals. But there the similarity ends. My object was to carry out this purpose as peacefully as possible and to use force only in the last resort. The policy adopted by the Japanese

in avoiding a serious clash with the Chinese and in preserving the neutrality of the International Settlement. In 1932, on the other hand, one of the foreign Powers with treaty rights at Shanghai, acting independently of the other Powers for the first time, made use of its privileges for the purpose of conducting military operations against Chinese troops in Chinese-administered territory.¹ By so doing, Japan compromised the security of the International Settlement and the French Settlement and struck a blow at the whole juridical status of those Settlements, which had been successfully safeguarded since their first establishment nearly a century earlier.

Before the actual crisis of the 28th–29th January, the dangers to other foreign interests at Shanghai which might result from independent Japanese action had been occupying the minds of the authorities concerned. There was a grave risk that the Chinese might hold all the foreign Powers concerned in the Settlement responsible for the actions of one of them, and might retaliate by an extension of the boycott or even by a direct attack upon the Settlement as the Japanese base of operations. Even if the other Powers did not become embroiled with China, fighting between Chinese and Japanese forces in or round Shanghai was bound to involve a certain degree of peril to the foreign inhabitants of the city, who would be exposed to the risk of becoming targets for hostile bombs or shells; and there was also the danger that disturbances might be created inside the Settlement by Chinese refugees, an influx of whom was to be expected as soon as the Japanese showed signs of translating their threats into deeds. The Shanghai Municipal Council and the Governments concerned did their best to impress these considerations upon Japan both before and after the night of the 28th/29th January; and, although their restraining influence did not suffice to avert the catastrophe, the Japanese Government showed by their replies to these *démarches* that they were not blind to the desirability of avoiding the additional complications which would be created by an overt disregard of the interests of the other Shanghai Powers.

Commander has been entirely different. He has used force with very little provocation. . . . He and I were free to act as we liked in accordance with the instructions of our Governments. My instructions were to keep the peace if I could.' (Sir John Duncan, *loc. cit.*)

On the general question of British policy in 1927 and especially on the relation between the despatch of the Defence Force and the 'December Memorandum' of 1926, see the speech made by Sir Frederick Whyte during the same discussion at Chatham House; and the *Survey for 1926*, Part III A, especially pp. 243–4.

¹ The last occasion on which foreign troops had landed at Shanghai for purposes of offence and not of defence appears to have been during the T'ai'ping Rebellion in 1854, when a mixed company of British and Americans routed some 10,000 Chinese at the Battle of Muddy Flat.

On the 22nd January, following the publication of Admiral Shiozawa's threat to take sanctions if the Japanese demands were not accepted, the Chairman of the Shanghai Municipal Council was reported to have sought and obtained an assurance from the Japanese naval and consular authorities that any action which they might take would not affect the Settlement, and that Japanese troops would not be moved into the Settlement without previous consultation with the Municipal Council. The Japanese, however, appear to have insisted that the Municipal Council, in return, must co-operate actively in the suppression of anti-Japanese activities; and Admiral Shiozawa was said to have indicated that the fulfilment of his promise of non-interference with the Settlement would depend on the extent to which the authorities were able to carry out their part of the bargain. During the week of the 21st-28th January, an exchange of views on the subject of the danger which the Japanese attitude constituted to foreign interests at Shanghai took place, on American initiative, between the U.S. and British Governments, and between those Governments and the Governments of France and Italy.¹ On the 27th January the U.S. Government asked the Japanese Government for specific information in regard to the steps which they contemplated taking at Shanghai, and made representations to the effect that 'in view of the efficient police and other sources of protection already available in the International Settlement, there should be no military occupation of that Settlement by Japan unless the municipal force became clearly inadequate to protect life and property'.² By the morning of the 29th, the U.S. Government had received an answer from Japan assuring them 'that the international rights and interests in Shanghai would not be interfered with'.³ On the 28th January, the British Government received from the Japanese Government the information 'that in order to check anti-Japanese movements in Shanghai some drastic measures might be necessary'. Thereupon the British Foreign Secretary, Sir John Simon, 'sent immediate instructions to His Majesty's Ambassador in Tokyo' and himself saw the Japanese representative in London in order to express his 'grave concern, and to draw the attention of the Japanese Government to the international issues and obligations involved'.⁴ During

¹ On the 1st February the State Department at Washington received assurances from the French and Italian Governments of their full support for the policy of opposition to Japanese action in the International Settlement.

² Statement by the U.S. Secretary of State, Mr. Stimson, on the 29th January, 1932.

³ Mr. Stimson, *loc. cit.*

⁴ Statement by Sir John Simon in the House of Commons at Westminster on the 15th February, 1932.

the next two or three days the representatives at Tokyo of the United States and of Great Britain made repeated *démarches* to the Japanese Government, emphasizing the gravity of the situation at Shanghai and making it clear that their Governments 'could not approve of the use of the Settlement except for defensive purposes'.¹ These representations, with which the French Ambassador also associated himself, elicited the reply that Japan had no intention of using the Settlement as a base of operations against the Chinese troops.

In the meantime the local situation at Shanghai had been developing in a way which could not fail to intensify the apprehensions of the international authorities on the spot. An incident which occurred during the night of the 28th/29th January, when Japanese marines attempted to enter Chinese territory by way of the sector held by the Volunteer Corps,² confirmed the suspicion that Admiral Shiozawa's undertaking not to interfere with the Settlement was likely to be forgotten in the heat of action. During the following days, several instances occurred of the intrusion of armed Japanese, singly or in small groups, into other sectors, and a certain number were said to have been arrested by American and British troops and handed over to the Japanese Consul. On the 2nd February a protest was made, through the Consuls, against the interference by Japanese marines with patrols in sectors assigned to other foreign troops, and by midday on the 4th February all Japanese marines had been withdrawn from the British and American sectors.

During the following weeks repeated protests were made by the Consular Body against action on the part of the Japanese or the Chinese forces which imperilled the security of the Settlements.³ From time to time bombs from Japanese aeroplanes or shells from Chinese guns landed inside the boundaries of the International Settlement—fortunately without causing extensive damage or loss of life.⁴ During the earlier phases of the operations, the Japanese

¹ Mr. Baldwin in the House of Commons at Westminster on the 9th February, 1932.

² See p. 481 above.

³ On the 4th February the Consuls also transmitted to the Japanese authorities a protest from the Municipal Council against Japanese interference with public services in districts within the Council's jurisdiction. The Council declared that members of the Municipal Police Force had been deprived of their arms by Japanese marines, that members of the Fire Brigade had been forcibly prevented from executing their duty; and that Japanese patrols had obstructed the conduct of food and hospital services. The Japanese Consul-General replied to the protest, in conciliatory terms, on the 8th February, but by that time the resumption of municipal police control over the Hongkew district had already begun.

⁴ The most serious incidents of this kind occurred on the 11th February, when Japanese aeroplanes engaged in bombing railway sheds just beyond the

air base was in the Yangtsepoo sector of the International Settlement, and aeroplanes flew over the Settlement on their way to drop bombs upon Chapei. The Consular Body repeatedly drew the attention of the Japanese authorities to the danger of this proceeding, which attracted Chinese fire in the direction of the Settlement. The Japanese promised in return that aeroplanes would cease to fly over the Settlement, and though these promises were not scrupulously fulfilled, from about the middle of February onwards the appearance of Japanese aeroplanes over the Settlement was only occasional. The Chinese, however, still made attempts from time to time to hamper Japanese operations by shelling the wharves and the warships in the harbour, and on such occasions the International Settlement lay in the line of fire. Protests to the Chinese authorities on this account and on account of anti-aircraft fire were met by the obvious retort that, so long as the Japanese used the Settlement as a base for their attacks, the Chinese could not be answerable for the consequences.¹

The risk of Chinese action which might endanger foreign lives and property was increased when, in the second week of February, Japanese troops began to arrive at Shanghai, where they disembarked at the Japanese wharves in the Yangtsepoo sector of the Settlement and marched through the Settlement on their way to Hongkew. The landing of the first contingent on the 9th February was followed by representations from the Consular Body; but on the 14th February about half of the Eleventh Division, with guns and tanks, were disembarked at the Japanese wharves at Shanghai. The Consuls then protested again against the continued use of the Settlement as a Japanese base, and the Chinese Foreign Minister also lodged a formal protest with the representatives of the British and American Governments. On the 26th February, when additional Japanese reinforcements were known to be on their way to China, the Ambassadors of Great Britain, the United States, France and Italy called separately upon the Japanese Foreign Minister in Tokyo and requested that

boundary of the Settlement dropped two bombs on a Chinese mill in the American sector, killing five of the Chinese employees and wounding fifteen; on the 17th February, when two British sailors who were guarding wharves in the Hongkew district were fatally injured by shells from Chinese guns; and on the 23rd February, when shells from Chinese guns, directed against the Japanese flagship which was moored at the Japanese wharf in the International Settlement, struck the Italian cruiser *Libia* which was lying close by.

¹ On the 29th January the Commander of the Chinese forces was reported to have addressed to the Municipal Council a formal protest against the use of the Settlement as a Japanese base of operations, and to have accompanied the protest by a hint of possible reprisals against the Settlement.

any further troops who might be sent to Shanghai should not land in the Settlement and that any other necessary measures should be taken in order to avoid danger to the Settlement.¹ Mr. Yoshizawa replied that, although Japan had 'the right to land troops in the Settlement and to anchor ships of war in their present position, she' was 'earnestly desirous of minimizing danger to the Settlement and to foreign interests, and that, accordingly, the military and naval authorities' had 'decided to give the matter as favourable consideration as possible.'² Thereafter, until the fighting had ceased, only reliefs appear to have been landed in the Settlement.³

On the whole, the immediate effect of the Sino-Japanese military operations upon the interests of the other foreign Powers was less serious than might have been feared. The most dangerous time from the point of view of the Settlement was perhaps during the first few days of the operations, when the Chinese troops were at once elated by their success in checking the Japanese penetration into Chapei and maddened by the bombardment of their positions from the air. It was by no means beyond the bounds of possibility that the Chinese, in this mood, might attempt to rush the International Settlement at its weakest point—that is, in the northern sector facing Chapei, where the boundary between the Settlement and Chinese territory was purely artificial.⁴ This danger persisted to some degree throughout the period of the operations in and round Shanghai; but, once the first critical hours had passed, the resentment of the Chinese against the use of the Settlement as a base of operations came to be balanced by the calculation that it would be impolitic for China to alienate the foreign Powers, other than Japan, at this crisis of China's fate by deliberately inflicting damage upon the persons or property of non-Japanese foreign nationals.

¹ According to press reports, the Ambassadors of Great Britain, France and Italy expressed appreciation of the efforts made by Japan to keep the fighting away from the International Settlement, but the American Ambassador did not associate himself with this part of the representations.

² Statement by the Under-Secretary of State for Foreign Affairs, Mr. Eden, in the House of Commons at Westminster on the 1st March, 1932.

³ Mr. Eden, *loc. cit.*

⁴ This was the sector which had presented the most serious problem in 1927, when it had been the scene of the only fighting that took place between the International Defence Force and Chinese troops (see Major-General Sir John Duncan, *loc. cit.*, in footnote 4 on p. 496 above). In 1932 this sector was held by the Volunteer Corps and by British and American troops. The danger that the Chinese might attempt to break through the defences of the Settlement at this point was increased by the fact that the northern sector formed the shortest route from Chapei to the Japanese wharves and the Japanese air base in Yangtsepoo.

The days which preceded the expiry of the Japanese ultimatum on the 20th February were also an anxious time for the authorities in the two Settlements, since it was impossible to forecast with any accuracy the results of the major offensive which was expected to be launched if the ultimatum were rejected. Preparations were made for evacuating foreign women and children if the need should arise,¹ and the Consular Body appealed on the 19th February to both sides to respect the neutrality of the Settlements. They received assurances that the Commanders of both armies had given orders that artillery fire should not be directed towards the Settlement; and, as has been seen, it was the area north of Shanghai rather than Shanghai itself which was the scene of most of the fighting that took place between the 20th February and the 3rd March. The Japanese enveloping movement, which ultimately forced the Chinese to retire from the neighbourhood of Shanghai, endangered the Settlements less than if the same object had been attained by concentrating the attack upon Chapei; and the Japanese were perhaps entitled to claim that the necessity of sparing Shanghai as far as possible had been one of the factors which determined the nature of their operations throughout the period from the 29th January to the 3rd March, 1932. It was doubtless true, for instance—as the Japanese Minister in China, Mr. Shigemitsu, pointed out on the 2nd February²—that the Chinese might have been forced to evacuate their position at a far earlier stage if the Japanese warships in the Whangpoo, firing over the narrow strip of the International Settlement, had brought their heavy guns to bear upon Chapei. It was fortunate for Shanghai that the Japanese Navy was not prepared to take quite such extreme measures as that—impervious though it appeared to be to the odium which the aerial bombardment of Chapei had earned for Japan in the eyes of the world.

(d) NEGOTIATIONS REGARDING THE CESSATION OF HOSTILITIES
AND THE WITHDRAWAL OF THE JAPANESE AND CHINESE TROOPS
FROM SHANGHAI

On the 29th January, 1932, when Japanese aeroplanes were bombing Chapei, the Mayor of Greater Shanghai appealed to the Consuls of

¹ On the 23rd February, the Japanese Residents' Association, after consultation with the Consul-General, advised all Japanese residents in Shanghai to leave for Japan. This step was not calculated to calm the apprehensions of other foreign residents, but in the event such apprehensions proved to have been unfounded. It was announced on the 9th March that 15,000 Japanese civilians had left Shanghai while the fighting was in progress.

² In an interview with the correspondent of *The New York Times*.

the foreign Powers, other than Japan, to use their influence in order to bring about the suspension of the Japanese operations, and on the same day a request for friendly intervention was transmitted to the Government of the United States by the Chinese Minister for Foreign Affairs. Two days later, on the 31st January, the Japanese Foreign Minister, Mr. Yoshizawa, appealed in his turn to the British, American and French Ambassadors in Tokyo, asking that their Governments should endeavour to persuade the Chinese authorities to withdraw their troops to a safe distance from Shanghai.¹ Thus the repeated attempts of the Great Powers, through their representatives on the spot and through diplomatic channels, to secure the cessation of the fighting at Shanghai, were made at the request of both parties to the dispute.

The first step which was taken in this direction—the arrangement by the American and British Consuls of a truce on the evening of the 29th January²—was only partially successful; and on the 31st January the Consuls renewed their endeavours. On that day they arranged a meeting at the British Consulate between Wu Te-chen, the Mayor of Greater Shanghai, together with Tsai Ting-kai, the Commander of the Cantonese troops, on the Chinese side, and Mr. Murai, the Japanese Consul-General, together with Admiral Shiozawa, on the Japanese side. At this meeting the American and British Consuls put forward suggestions for the creation of a neutral zone between the Chinese and the Japanese forces. The first proposal was, apparently, that both the Chinese and the Japanese troops should withdraw a certain distance—the Japanese troops to their original positions under the defence scheme, and the Chinese troops out of rifle range. The area east of the railway, after its evacuation by the Japanese, was to be policed by neutrals and the area west of the railway by Chinese police. This proposal proved impracticable because the zone between the original Japanese positions and the railway line would have been too narrow for a neutral force to occupy; and this led to a second proposal that the Japanese should withdraw to the boundary of the International Settlement. This second proposal was rejected by the Japanese, who made the counter-

¹ This Japanese appeal seems to have been made after the Government had been informed, rightly or wrongly, that Chiang Kai-shek had ordered the Nineteenth and the Third Divisions of his National Guards to concentrate in the neighbourhood of Shanghai, in addition to the 30,000 Cantonese troops who were believed to be there already. The Ambassadors had already had several interviews with Mr. Yoshizawa and had made representations on the subject of the Japanese operations at Shanghai, with special reference to the position of the other Powers concerned in the Settlements (see p. 499 above).

² See p. 483 above.

proposal that the neutral zone of the necessary width should be created by a withdrawal of the Chinese only. The notion that the Japanese marines' function of defending the Hongkew Park salient should be taken over by neutral troops offended Japanese national pride, which was already smarting under the knowledge that the Chinese had successfully prevented the attainment of Admiral Shiozawa's objective during the night of the 28th/29th January. Admiral Shiozawa undertook, with some reluctance, to refer the Consuls' proposal for a neutral zone to his Government, and it was agreed that until the Japanese reply had been received the truce should be observed. At about 3 p.m. on the 2nd February (after fighting had re-opened at Shanghai) the Japanese Consul-General informed the Consular Body that the Japanese Government had rejected the proposal for a neutral zone.¹

Meanwhile, the American and British Governments had been in communication with one another, and with the Governments of France and Italy,² in regard to other measures which might be taken with the object of converting the temporary and partial truce into a definite cessation of hostilities. As a result of these deliberations, on the evening of the 2nd February the American and British Ambassadors at Tokyo made a joint *démarche* to the Japanese Government, with the support and approval of the French and Italian Governments, and a similar communication was made at the same

¹ During February there was a good deal of informal discussion, especially in the United States, regarding a proposal, which the Japanese Government were believed to contemplate putting forward, for the creation of a permanent neutral zone round Shanghai and possibly round other Chinese treaty ports (Canton, Hankow, Tsingtao and Tientsin). American opinion was strongly opposed to any project of this kind, and the suggestion does not seem ever to have been formulated officially by the Japanese Government. It was first aired (undisguisedly under official inspiration) by Mr. Shiratori, the head of the Gaimushu Press Bureau, in an interview which he gave to foreign newspaper correspondents at Tokyo on the 8th February.

² On the 2nd February, the British Government had notified the House of Commons at Westminster, through the mouth of Sir John Simon, and the Council of the League of Nations, through the mouth of Mr. J. H. Thomas, that the proposal for a neutral zone which had been put forward by the American and British Consuls-General had their full support; that they had urged the Chinese and Japanese Governments to accept the proposal; and that instructions had been given for British troops to co-operate in patrolling the zone if it could be established. The French and Italian representatives on the Council stated that their Governments had taken steps similar to those mentioned by Mr. Thomas. The Council had resumed its discussion of the Sino-Japanese dispute, at China's request, on the 25th January, and on the 29th the Chinese Government had invoked Articles 10 and 15 of the Covenant, in addition to Article 11, under which the Sino-Japanese dispute had originally been referred to the League. (See section (iv) (c) (1) below.)

time to the Chinese Government. The proposals put forward by the Powers contained the following five points:

(1) Cessation of all acts of violence on both sides forthwith on the following terms:

(2) No further mobilization or preparation whatever for further hostilities between the two nations;

(3) Withdrawal of both Japanese and Chinese combatants from all points of mutual contact in the Shanghai area;

(4) Protection of the International Settlement by the establishment of neutral zones to divide the combatants; these zones to be policed by neutrals; the arrangements to be set up by the consular authorities;

(5) Upon acceptance of these conditions prompt advances to be made in negotiations to settle all outstanding controversies between the two nations in the spirit of the Pact of Paris and the resolution of the League of Nations of the 10th December,¹ without prior demand or reservation and with the aid of neutral observers or participants.

Unfortunately, in the course of the 2nd February, before these proposals were communicated to the Governments concerned, the situation at Shanghai had changed for the worse, and any attempt to observe the truce which had been arranged on the 29th January had been abandoned.² This change in the position appears to have convinced the Japanese Government that it would no longer be possible for a solution to be reached by negotiation at Shanghai without a serious loss of Japanese 'face'; and this conviction, combined with resentment at the attempt of the Powers to link up the questions of Shanghai and Manchuria, determined the Japanese Government to return a stiff reply to the Anglo-American proposals. Accordingly, while the Chinese Government accepted the proposals unconditionally on the 3rd February, the Japanese reply, which was presented on the 4th February, rejected outright the second and the fifth of the Powers' points, and accepted the others in terms which made acceptance of little practical value. The note ran as follows:

1. The Japanese forces will cease hostile acts if it is assured that the Chinese forces will immediately and completely stop their disturbing and menacing activities. If, on the contrary, the Chinese (including both regular and plain-clothes soldiers) persist in such activities, the Japanese Government must reserve full freedom of action for its military forces.

2. In view of the unreliability of the Chinese in the past and of the gravity of the present situation, the Japanese Government finds it impossible to renounce mobilization or preparations for hostilities.

3 and 4. The Japanese Government has no objection to its Consul-General and Commander entering into negotiations for an agreement concerning the separation of the respective forces and the establishment, if necessary, of a neutral zone in the district of Chapei.

¹ See the *Survey for 1931*, pp. 501-2.

² See p. 487 above.

5. While it is to be presumed that 'all outstanding controversies' between Japan and China include the Manchurian question, the Japanese Government regards this latter as entirely a separate question from the Shanghai affair, and, moreover, it is covered by the League resolution of the 10th December. Furthermore, it is the settled policy of the Japanese Government not to accept the assistance of neutral observers or participants in settlement of the question concerning Manchuria. For these reasons the conditions in Paragraph 5 of the Powers' note are not acceptable to the Japanese Government.¹

The Japanese Government lent added weight to their rejection of the second of the Anglo-American proposals by deciding, on the same day (the 4th February), to send an army division to Shanghai to replace the marines who were holding the Japanese sector;² but, at the same time, they attempted to minimize the effect of the despatch of troops to Shanghai on international opinion by issuing a statement explaining their aims and policy. This statement, which was published in Washington and London, as well as in Tokyo, on the 7th February, laid stress on Japan's desire for peace, recounted the incidents which had preceded the events of the 28th/29th January, and declared that it was the Chinese who had opened fire on the Japanese marines when the latter were 'proceeding to their assigned sector in Chapei'. The reason for the despatch of an army division to Shanghai was said to be that the marines were outnumbered by more than ten to one, while 'the predicament of Japanese residents' was 'beyond description'. There was 'no intention whatever' that the Japanese troops should 'enter upon an aggressive campaign', unless the Chinese, 'by continuing hostilities or by obstructing' the Japanese forces, should compel them 'to take necessary action'. The Japanese Government cherished 'no political ambitions in the region of Shanghai nor any thoughts of encroaching on the rights and interests of any other Power'.

This statement seems to have had a reassuring effect upon public opinion in the United States, and the Government at Washington, which had taken the initiative in the earlier *démarches*, decided to await developments before making any further direct representations to Japan. The representatives of the neutral Powers at Shanghai, however, continued, with the approval of their Governments, to make every effort to mediate between the combatants, and in particular to secure agreement on the establishment of a neutral zone. In their labours for peace the Consuls were reinforced by Admiral Sir Howard Kelly, the Commander of the British squadron, after

¹ Quoted from *The New York Times*, 5th February 1932.

² See p. 487 above.

his arrival at Shanghai on the 5th February,¹ and by the American, British and French Ministers in China, all of whom visited Shanghai in the middle of February, after they had discussed the position and the possibilities of mediation with Wang Ching-wei, the President of the Executive Yuan, at Nanking. Renewed attempts to establish an internationally guaranteed neutral zone failed because the Japanese refused to withdraw their troops at all until the Chinese had retired, voluntarily or under Japanese pressure, to a considerable distance from Shanghai, while the Chinese would only agree to a simultaneous evacuation of the disputed area. The arrival of General Ueda to take command of the Japanese armed forces on the 14th February, and the announcement that he was about to deliver an ultimatum to the Chinese Commander, were followed by an urgent appeal from the League Council to Japan to recognize her 'very special responsibilities for forbearance and restraint',² and by fresh activity on the part of the neutral diplomatic representatives at Shanghai. The American, British and French Ministers succeeded in arranging a meeting between Chinese and Japanese delegates, but their hope that the delivery of the Japanese ultimatum might thereby be averted was doomed to disappointment. The negotiations, which took place on the 18th February, broke down because the Japanese continued to insist upon the unconditional withdrawal of the Chinese troops, and the Ministers of the United States, Great Britain and France, having failed to achieve their purpose of restoring peace by direct intervention on the spot, returned to Nanking and resumed their discussions with the Chinese Government.

The next attempt at mediation at Shanghai was made by Admiral Sir Howard Kelly. On the 28th February Admiral Kelly arranged a meeting between Chinese and Japanese leaders,³ on board his

¹ Admiral Kelly had interviews with the Chinese leaders on the 7th February and with the Japanese on the 8th. At the interview on the 7th, the Chinese appear to have accepted a proposal for a bilateral withdrawal and for the occupation of a neutral zone by a neutral force—but this on condition that simultaneously the Japanese should agree to open negotiations for the settlement of the whole dispute, including the Manchurian question, with neutral participants. It was pointed out that Japan had already rejected point 5 of the Anglo-American proposal of the 2nd February (see p. 505 above). The Chinese then reduced their demand to a request for a conference, with neutrals present, for the discussion of the Shanghai question 'as a first step towards dealing with the whole problem'. On the 8th the Japanese Minister said that his Government insisted that the Chinese troops should be withdrawn to a distance of 15 or 20 miles out of gun range before they could consider a truce or discuss local questions.

² See p. 565 below.

³ Dr. Wellington Koo and General Wang (General Tsai's Chief of Staff) represented China, while Admiral Nomura and Mr. Matsuoka represented Japan.

flagship, the *Kent*, at which he proposed the immediate cessation of hostilities and the simultaneous withdrawal under neutral supervision of the Chinese and Japanese troops in two stages.¹ Admiral Kelly reported to his Government that 'the discussion was most friendly throughout' and that 'the principle of mutual and simultaneous withdrawal on either side was agreed to'.² The terms of the understanding which had been reached were referred to the two Governments for approval, and on the following day the Chinese Government declared, in a message to their representative at Geneva, that they found the proposals 'reasonable and acceptable'. On the same day (the 29th February) the Chinese and Japanese representatives at Geneva undertook to transmit to their Governments a proposal—for the assembly of an international conference at Shanghai to bring about a 'final conclusion of fighting'—which had been made by Monsieur Paul-Boncour, as President of the Council,³ on the assumption that the meeting on the *Kent* would result in the suspension of hostilities. On the 1st March the Japanese representative at Geneva announced that his Government accepted the principle of a conference at Shanghai; but in the meantime the conditions to which both sides were reported to have agreed provisionally on the 28th February were not being carried out at Shanghai.⁴ On the contrary, the arrival of a new Japanese Commander-in-Chief, General Shirakawa, on the 29th February, was the signal for an even more vigorous Japanese offensive; the Chinese troops began to retreat on the night of the 1st/2nd March; and the Japanese troops continued to advance until, on the 3rd March, they occupied a line to the north-west of Shanghai.⁵

On the 2nd March, after the Chinese had begun their retreat, the Japanese authorities at Shanghai handed their conditions for peace to Admiral Kelly; and on the following day, after the Japanese order to cease fire had been given, another Sino-Japanese Conference took place on board the *Kent* to consider the Japanese 'basic terms'. These were reported to be as follows:

- (1) Should the Chinese forces withdraw a distance to be determined by both parties, Japan will agree to a cessation of hostilities for a period

¹ The Chinese troops were first to withdraw to Chenju (a village to the west of Chapei), while the Japanese were to retire inside the boundary of the Settlement. The Chinese troops would then retire to Nanzhang on the Shanghai-Nanking Railway, while the Japanese troops would embark for Japan.

² Statement by the British Foreign Secretary, Sir John Simon, to the League of Nations Council on the 29th February, 1932.

³ See p. 568 below.

⁴ The Lytton Commission noted (on p. 85 of their report) that the conference on board the *Kent* 'was not successful, owing to the differing opinions of the two parties as to the basis of the negotiations'.

⁵ See p. 494 above.

to be agreed on, and, pending subsequent arrangements, both forces shall hold their present positions.

(2) During the cessation of hostilities a round-table conference shall be held at Shanghai, in which representatives of the principal Powers shall participate, the conference to discuss the methods of mutual withdrawal, together with measures for the restoration and maintenance of peace and order in and around Shanghai and for safeguarding the Settlement, the French Concession, and foreign lives, property, and interests therein.

(3) Withdrawal shall begin by the Chinese troops to the specified distance, after which the Japanese forces will withdraw to the Shanghai and Woosung areas. As soon as normal conditions prevail the Japanese shall withdraw altogether.

(4) Should either party infringe any of the terms of the truce, the other party shall have freedom of action. Both parties to have the same freedom of action on the expiration of the period agreed on under the first paragraph.¹

These terms were referred to the Chinese Government and were rejected by them on the ground that they differed in two vital respects from the conditions which had been discussed, and provisionally accepted, at the previous conference on board the *Kent*. The Japanese now stipulated that the Chinese troops should withdraw first, instead of the withdrawal being simultaneous; and they declared themselves ready to withdraw only to the Shanghai-Woosung line instead of into the International Settlement.

During the next few days the tension at Shanghai remained very high, and reports were constantly received that fighting had broken out again and that both sides were massing reinforcements.² Actually, it appears that nothing more serious than minor skirmishes occurred between Chinese and Japanese troops after the 3rd March, but the danger that fighting would be resumed on a serious scale could not be eliminated so long as the two armies continued to face one another along a 25-mile line to the north-west of Shanghai. Accordingly, the representatives of the Great Powers, with the approval and authority of the members of the League of Nations who were assembled at Geneva for the purpose of finding a solution of the difficulties between

¹ This was the version published by the Chinese and reproduced in *The Times*, 4th March, 1932.

² The Japanese Fourteenth Division, which had been ordered to China at the end of February (together with the Eleventh Division, whose landing at Tsiyakow on the 1st March had been the principal cause of the Chinese retreat), was landed at Shanghai between the 7th and the 13th March; but some of the troops who had been earlier in the field began to re-embark for Japan on the 20th, so that the Japanese force was not actually increased for any length of time.

China and Japan,¹ spared no effort to assist the Chinese and Japanese authorities in coming to an agreement which would render the cessation of hostilities definitive and would be followed by the withdrawal of Japanese troops from Chinese territory.

The leading part in the work of mediation was taken by the British Minister in China, Sir Miles Lampson, and it was he who finally devised a formula which was acceptable to both parties. Formal negotiations for a truce agreement began on the 9th March, when the Japanese authorities made use of Sir Miles Lampson's good offices to inform the Chinese authorities that they were ready 'to make a definite agreement for the complete cessation of hostilities, and then to discuss and determine an arrangement for the withdrawal of the Japanese forces'. A conference on the cessation of hostilities was opened on the 24th March and continued until the second week of April, when a deadlock appeared to have been reached.² The difficulties which were encountered arose out of the fact that the main object of the Chinese was to secure the unconditional withdrawal of the Japanese troops, whereas the main object of the Japanese was to obtain guarantees that the situation in Shanghai would not revert to that which had existed before the 28th January as soon as the Japanese troops were withdrawn. Accordingly, the Japanese insisted that their forces must remain in their present position until they considered that conditions at Shanghai had become normal—to which the Chinese retorted that conditions would never become normal so long as Japanese forces occupied Chinese soil. In these circumstances, the task of the 'honest brokers' was far from easy, and no solution appeared to be in sight when the negotiations were suspended on the 11th April. The Japanese were prepared to withdraw to a line stretching from Shanghai to Woosung as soon as an armistice agreement had been concluded, but they were still insisting that the responsibility for deciding that 'normal conditions' had been restored

¹ The Special Assembly of the League of Nations which had been convened at China's request held its opening meeting on the 3rd March. On the 4th it adopted a resolution calling upon the Governments of China and Japan 'to take immediately the necessary measures to ensure that the orders . . . for the cessation of hostilities shall be made effective' and requesting the Powers with interests at Shanghai to assist in 'the conclusion of arrangements which shall render definite the cessation of hostilities and the withdrawal of the Japanese forces'. On the 11th March the Assembly appointed a Committee of nineteen members, whose first function was 'to report as soon as possible on the cessation of hostilities and the conclusion of arrangements which shall render definitive the said cessation and regulate the withdrawal of the Japanese forces'. (The proceedings at Geneva are described in greater detail in section (iv) (c) below.)

² The conference had announced on the 30th March that an agreement for the cessation of hostilities had been reached, but further difficulties supervened.

and that their troops could be withdrawn into the International Settlement must rest with them. The Chinese held that a definite time-limit for the complete withdrawal of the Japanese troops must form part of the armistice agreement, and they appealed to the League of Nations to give a ruling that the Japanese standpoint was not in accordance with the terms of the resolutions which had been adopted at Geneva.¹ On the 19th April the League Assembly's Committee of Nineteen adopted a resolution² in which they recommended that the diplomatic representatives of the neutral Powers should be made responsible for deciding, at the request of one of the parties, and if necessary by a majority vote, that the time had come when the Japanese troops might reasonably be withdrawn into the Settlement. This recommendation was not acceptable to Japan, who adopted her usual tactics of delaying her reply to the League's proposals. On the 26th April, however, Sir Miles Lampson succeeded in finding a formula which both sides could accept. This was that the neutral diplomatic representatives should not decide when the time had come for complete Japanese evacuation of Chinese territory, but should confine themselves to advising the Japanese military authorities that, in their opinion, normal conditions had been sufficiently restored to justify the withdrawal of the Japanese troops into the Settlement. This compromise was accepted by the Chinese and by the Japanese on the 27th April, and enabled them to conclude a formal armistice agreement which would put an end officially to the hostilities that had opened on the night of the 28th/29th January.

The signature of the agreement was delayed for a few days, however, owing to an outrage which occurred on the 29th April, when a bomb was thrown by a Korean during a review of Japanese troops which was held in the Hongkew Park in honour of the Japanese Emperor's birthday. Practically all the Japanese military and naval leaders then in Shanghai, including Admiral Nomura and Generals Shirakawa and Ueda, received serious injuries, as did the Japanese Minister, Mr. Shigemitsu, and the Consul-General, Mr. Murai. Fortunately, since the assailant was a Japanese subject, the Japanese Government decided to treat this outrage as an independent incident which had no connexion with the situation in Shanghai, and on the 5th May the armistice agreement was duly signed.³

¹ See the preceding footnote, and pp. 574 and 578-80 below.

² See p. 581 below.

³ Two of the Japanese signatories—Mr. Shigemitsu and General Ueda—were confined to bed in hospital as a result of the injuries which they had sustained on the 29th April, and Mr. Shigemitsu had his leg amputated a few hours after affixing his signature. The principal Chinese signatory, Kuo

The agreement ran as follows:

Article 1. The Japanese and Chinese authorities having already ordered the cease fire, it is agreed that the cessation of hostilities is rendered definite as from the 5th May, 1932; the forces of the two sides will, so far as lies in their control, cease around Shanghai all and every form of hostile act. In the event of doubts arising in regard to the cessation of hostilities, the situation in this respect will be ascertained by the representatives of the participating friendly Powers.

Article 2. The Chinese troops will remain in their present positions pending later arrangements upon the re-establishment of normal conditions in the areas dealt with in this Agreement. The aforesaid positions are indicated in Annex 1 to this Agreement.

Article 3. The Japanese troops will withdraw to the International Settlement and the extra-settlement roads in the Hongkew district as before the incident of the 28th January, 1932. It is, however, understood that, in view of the numbers of Japanese troops to be accommodated, some will have to be temporarily stationed in localities adjacent to the above-mentioned areas. The aforesaid localities are indicated in Annex 2 to this Agreement.

Article 4. A joint commission, including members representing the participating friendly Powers, will be established to certify the actual withdrawal. This commission will also collaborate in arranging for the transfer from evacuating Japanese forces to the incoming Chinese police, who will take over as soon as the Japanese forces withdraw. The constitution and procedure of this commission will be as defined in Annex 3 to this Agreement.

Article 5. The present Agreement shall come into force on the day of signature thereof.

The present Agreement is made in the Chinese and Japanese and English languages. In the event of there being any doubt as to the meaning or any difference of meaning between the Chinese and Japanese and English texts, the English text shall be authoritative.¹

There were three annexes to the agreement: the first two set out the exact positions of the Chinese and Japanese troops, while the third dealt with the constitution and functions of the Joint Commission. The second annex provided that 'the withdrawal of the Japanese troops to the localities indicated will commence within one week of the coming into force of the agreement and will be completed in four weeks from the commencement of the withdrawal'. In the

Tai-chi, was also in hospital, having been assaulted three days earlier by students who were opposed to the armistice terms.

¹ Text issued as a British White Paper (China No. 1, 1932, *Cmd.* 4077). The Chinese signed the agreement subject to two reservations. 'The first declared that nothing in the agreement was to imply permanent restriction of the movement of Chinese troops in Chinese territory, and the second that it was to be understood that, even in areas temporarily provided for the stationing of Japanese troops, all municipal functions, including that of policing, would remain with the Chinese authorities.' (*Lytton Report*, p. 86.)

third annex it was laid down that 'all matters of procedure will be left to the discretion of the Commission, whose decisions will be taken by a majority vote', and that 'the Commission will, in accordance with its decisions, watch in such manner as it deems best the carrying out of Articles 1, 2 and 3 of this agreement, and is authorized to call attention to any neglect in the carrying out of the provisions of any of the three articles mentioned above'. The American Consul-General at Shanghai was subsequently appointed chairman of the Commission.

This agreement was satisfactory in so far as it ensured the separation of the Chinese and Japanese armies, which had hitherto remained facing one another, but it did not fix a definite time-limit for the withdrawal of the Japanese troops within the Settlement, nor did it provide any guarantees against the resumption of anti-Japanese activities as soon as the troops had retired. There was room for apprehension, therefore, lest the Japanese should insist on maintaining troops on Chinese soil for an indefinite period on the ground that the situation had not become sufficiently normal to justify their reduction to a number that could be stationed inside the Settlement.¹

In the event, however, the withdrawal of all the Japanese troops from the neighbourhood of Shanghai was effected within the time-limits mentioned in Annex 3 of the armistice agreement. The Eleventh Division and the Twenty-fourth Mixed Brigade had already been withdrawn before the end of March, and embarkation proceeded rapidly when once the armistice agreement had been signed. On the 11th May the Cabinet in Tokyo decided to withdraw all troops from Shanghai within a month, on the understanding—as the Foreign Office spokesman explained in announcing the decision—that Japan would hold the other Powers and world opinion responsible if the withdrawal resulted in a fresh menace to Shanghai. The last of the troops left Shanghai on the 31st May, and there remained only 2,500 marines for garrison duties. The areas evacuated by Japanese troops 'were turned over to the Chinese Special Police Force between the 9th and 30th May'. Certain difficulties arose at this stage, however, over the question of compensation for damage done to Chinese property during the fighting. 'It was but natural that, when the Chinese owners of houses and factories, officials of railways and companies and others began to re-enter the evacuated areas, numerous complaints concerning looting, wilful destruction and

¹ The Committee of Nineteen had these considerations in mind when they submitted to the Assembly on the 30th April (that is, before the actual signature of the agreement), a resolution declaring, *inter alia*, that the Assembly's resolution of the 4th March would 'only have been fully complied with when the Japanese forces have been entirely withdrawn'. (Sec p. 582 below.)

carrying away of property should have been addressed to the Japanese military authorities. In the opinion of the Chinese, the whole question of reparations' remained 'for further negotiations'. They estimated 'the casualties in killed, wounded and missing as 24,000 officers, men, and civilians, and the total material loss at 1,500,000,000 Mexican dollars'.¹

Towards the end of May the Japanese Government initiated a 'confidential discussion'² with certain of the foreign Ambassadors in Tokyo in regard to the possibility of holding a conference at Shanghai to discuss what measures might be taken in future for the protection of foreign lives and property in China.³ The Japanese seem to have intended that the Chinese Government should not be represented at this Conference, and in the United States they were again credited with the intention of bringing forward proposals for the establishment of a permanent neutral zone round Shanghai and possibly round other Chinese cities.⁴ The Governments of the United States and of Great Britain both made it clear that they could not contemplate such a conference without Chinese participation, and the suggestion then lapsed.

It remains to state that the Japanese attempt to cut the knot at Shanghai with the sword did not achieve its purpose. Anti-Japanese activities continued; and at the end of August 1932, simultaneously with the Japanese recognition of 'Manchukuo', there were rumours of further trouble impending at Shanghai and of the despatch of a Japanese naval squadron to the Whangpoo for the protection of Japanese nationals in case the continued boycott should lead to further outbreaks of violence. Something like a panic took place in Shanghai, and a certain number of Chinese abandoned their homes in Chapei in the belief that another Japanese attack was imminent. On the 1st September, however, the Mayor of Greater Shanghai issued a proclamation declaring that he was 'determined to suppress

¹ *Lytton Report*, p. 86. The Chinese Government announced at the end of May that their military losses amounted to 4,274 killed and 1,770 wounded. The Shanghai Bureau of Social Affairs estimated in the middle of March that 6,080 Chinese civilians had been killed and over 2,000 wounded, while there were 10,040 missing. The number of families driven from their homes was estimated at 160,000. As for Japanese casualties, it was announced in Tokyo on the 11th May that there had been 634 killed and 1,791 wounded during the five weeks' fighting round Shanghai.

² Mr. Eden in the House of Commons at Westminster on the 26th May, 1932.

³ The Japanese appear to have based this suggestion on the proposal, which had been made by Monsieur Paul-Boncour at the League Council on the 29th February, that an international Conference should be set up at Shanghai 'for the purpose of bringing about a final conclusion of fighting and the restoration of peaceful conditions in the Shanghai area'. ⁴ See footnote on p. 504 above.

lawlessness with all the lawful means at his disposal' and urging the Chinese public and press to discourage the circulation of sensational rumours. This proclamation was apparently the outcome of a frank interchange of views between the Chinese and Japanese authorities in view of the increased tension which had been noticeable during the past few days. As a result of the precautions which were taken, the 18th September, the anniversary of the Japanese occupation of Mukden, which was observed as a day of national humiliation in Shanghai, passed off without serious disturbance; and thereafter the situation between Chinese and Japanese in Shanghai was not such as to give rise to special anxiety.

(iv) The Diplomatic Repercussions

(a) THE ATTITUDES OF THE POWERS

IN the preceding volume some account has been given of the diplomatic repercussions that were produced during the last quarter of the year 1931 by the Japanese military operations in Manchuria which began on the 18th/19th September of that year. At the turn of the years 1931 and 1932 the diplomatic situation was still inconclusive; but two features had emerged, one of which boded ill and the other well for the prospects of an eventual vindication of international law and order.

The ominous feature was the hesitation and pusillanimity which were manifest in the counsels of the world now that it was a question of putting restraint upon an aggressor which happened to be one of the five great naval and military Powers of the day.¹ The hopeful feature was the prospect of effective international solidarity which was opened up—for the first time since the non-ratification of the Peace Treaty of Versailles by the Senate at Washington on the 19th March, 1920—in view of a marked change of temper and attitude which had declared itself in the United States under the shock of the Japanese *coup* and under the anxiety of the protracted crisis to which that *coup* had given rise.

¹ This hesitation and pusillanimity were accounted for to some extent by certain recent and perhaps temporary features in the international situation. One such feature of a world-wide range was the World Economic Crisis. Another, of European range, was the recent tendency for the states of Continental Europe to re-divide into two hostile camps with France and her satellites in the one camp and with Germany and Italy and their satellites in the other. Undoubtedly these considerations sapped the vitality of statesmanship by depriving the statesmen of the necessary margin of power and security and ways and means for incurring lesser immediate risks in order to exorcize the greater risks of a slightly more distant future.

In the preceding volume some account has been given of this new tendency in the United States to welcome, and even to solicit, co-operation with other Powers individually, and with the League of Nations as a whole, in upholding the 'post-war' collective system of security, which was now exposed, in a quarter towards which the American people were particularly sensitive, to the most serious challenge that it had yet been called upon to encounter. This new American inclination to regard international solidarity as a safeguard rather than an entanglement was still, no doubt, fitful and precarious. The measure of co-operation with the League to which the United States Government committed themselves when they accepted the invitation to send a representative to attend the session of the Council on the 16th–24th October, 1931, was not maintained at the next session of the Council on the 16th November–10th December, 1931, when an American representative sat in an hotel in the same city but did not appear in the council chamber. On the whole, however, by comparison with the international history of the preceding twelve years, the salient feature in the last quarter of 1931 was the tendency of the United States to follow the path of co-operation, while the inevitable reaction of repenting this temerity was secondary and subordinate in American hearts and minds.

By the turn of the years 1931 and 1932 the diplomatic crisis arising from the Sino-Japanese conflict had lasted long enough for the attitudes of the countries that were not direct parties to the dispute to become more or less clearly defined. By this time the countries of the World, other than China and Japan, could be classified, on this criterion, into at least four distinct groups. The first group consisted of a single Power: the United States. The second group, which was the largest in numbers and in moral though not in military strength, consisted of the small countries of the world, and particularly of those small countries in Europe which had preserved their neutrality during the General War of 1914–18. The attitude of this group was apparently shared by one European Great Power, namely Italy, in so far as she showed her hand. The third group consisted of the remaining European Great Powers, namely France, Germany and the United Kingdom. The fourth group, like the first, consisted of a single Power: in this case, the U.S.S.R.

The respective attitudes of these several groups may be described as follows.

The United States was sincerely desirous that effective international action should be taken to guard against any permanent and irrevocable alteration of the *status quo* in the Far East as a result of the

Japanese Government's resort to force. In desiring this the Americans were inspired by two motives, one general and one particular, which reinforced one another. The general motive was a desire to salvage the collective system of security, and above all the Multilateral Pact of Paris ('The Kellogg-Briand Pact'), which the Americans cherished as their own creation. The particular motive in American minds was to prevent an unwarrantable change, through unlawful means, in the local Balance of Power in the Far East: a region in which the United States had a territorial stake in the shape of the Philippines and a prospective commercial stake of still greater value in the expectation of an increasing American share in a growing Chinese market. It may be added—for this was a psychological factor of some importance—that American intervention in the international affairs of the Far East was not inhibited by the traditional American horror of 'foreign entanglements'; for this horror was confined, in effect, to entanglements in Europe, which was the quarter to which the original warning had applied. The chill which never failed to strike American hearts at the bare notion of embarking upon a foreign policy which might eventually involve the United States in sending troops to the Old World by way of the Atlantic was not induced with the same poignancy by the thought of sending the same troops to the other side of the same Eurasian Continent by way of the Pacific.

As for the small countries they cherished the same desire as the United States, though they were actuated by the first American motive only, without the second. None of these countries had territorial stakes in the Far East—with the two exceptions of Portugal, who had a little territory to lose there, and the Netherlands, who had great possessions adjoining the Philippines in Indonesia. Otherwise, the small countries shared the American desire to see force deprived of profit in the Far East because they desired the preservation of the collective system of security; and they desired this even more keenly than it was desired by the Americans, since they were aware that this was the only form of security that stood between them and some lawless assault on the part of a great military Power in the manner of Japan's assault upon China in September 1931 or of Germany's assault upon Belgium in August 1914.¹

The attitude of France, Germany, and the United Kingdom

¹ The attitude of the small countries in this matter has been touched upon in the *Survey for 1931* on pp. 503-4; and in the present volume it is discussed again below on pp. 575-7, *à propos* of the stand which was taken by the representatives of a number of these countries when the convocation of the Special Assembly of the League of Nations on the 3rd March, 1932, gave them an opportunity of speaking their minds in public.

differed markedly both from that of the small countries and from that of the United States. Concern for the preservation of the collective system was not a conspicuous element in either French or German or British policy in dealing with the Far Eastern crisis. On the contrary, all three Powers alike were actuated by motives of their own which approximated in character to the second of the two American motives rather than to the first—but with this unfortunate difference that whereas, in the case of the United States, self-interest and public spirit pointed in one and the same direction, in the case of these three European Powers their self-interest—or supposed self-interest, as envisaged on a short view—appeared to point in the opposite direction to their international obligations.

Germany showed an inclination to give Japan support and countenance in her defiance of the world—or at any rate to abstain from joining hands with other Powers in seeking to bring Japan to reason. In taking this line, Germany was, perhaps, partly moved by the hope of some day receiving favours from a powerful country in return for German complacency in a matter in which Germany felt no direct interest of her own to be at stake; while her attitude was also perhaps determined in part by a more creditable, though not more rational, motive: that is to say, by an instinctive fellow-feeling for any country that was being placed in the position (from which Germany herself had suffered so acutely within recent memory) of being a moral outlaw in the world's eyes.¹

This German sympathy towards Japan had been revealed at a meeting of the League Council on the 15th October, 1931, when the Japanese delegate's German colleague had cast the sole vote, beside the Japanese delegate's own, which was recorded in favour of a certain Japanese proposal.²

The attitude of Germany, as it has been sketched above, was closely

¹ This German 'post-war' impulse to cherish a fellow-feeling for a fellow-outlaw had, of course, been particularly conspicuous in the German attitude towards Russia since the time when the respective outcomes of the Russian Revolution and the General War had brought Russia and Germany into a common disgrace in the eyes of the victorious Allied and Associated Powers. This sympathy for Russia as a fellow-outlaw was felt quite strongly in Germany, even in circles which were bitterly hostile to the Communist creed for which the Soviet Government stood. In these German circles, the community of outlawry counted for more than the difference of political faith, and this sentiment was an important factor in determining the course of German-Russian relations during the post-war years. (See the *Survey for 1920-3*, pp. 30-1; the *Survey for 1925*, vol. ii, pp. 63-6; the *Survey for 1927*, Part II E, section (v); the *Survey for 1930*, pp. 125-7.) A faint touch of the same sentiment can perhaps be detected behind the German attitude towards Japan in 1931-2.

² For this incident see the *Survey for 1931*, p. 492, footnote 2.

reproduced in the attitude of France ; and it was a characteristic mark of the perversity that was in the ascendant at this time in international affairs that this inclination, in face of the Far Eastern crisis, to make favour with Japan and to leave the collective system of security to take care of itself should have been one of the rare coincidences in which the French and the Germans saw eye to eye. The motives in the minds of the two nations were largely the same. Like the Germans, the French felt that no direct interest of their own was at stake in Manchuria ; and, feeling this, they yielded to the same inclination to practise the policy that is attributed to the Unjust Steward in the Parable.

Thus, in general, the French and the German attitudes were the same ; but the French attitude was more positively pronounced—partly, no doubt, because at this time the action or inaction of France counted for more than that of Germany in international affairs ; and partly because, since the General War of 1914–18, France had retained her pre-war territorial stakes in the Far East, whereas Germany's insular possessions in the Pacific and leased territory of Kiao-chao, in the Chinese province of Shantung, as well as the German concession at Hankow, had been forfeit in the Peace Settlement.¹ In her Indo-Chinese possessions and protectorates, France had a territorial stake in the Far East which was comparable to the stake of the United States in the Philippines ; but the respective workings of this consideration in French and in American minds were very different. The American concern for the Philippines reinforced the American concern for the collective system of security in impelling the United States to oppose the aggrandizement of Japan in Manchuria. On the other hand, the French concern for Indo-China impelled France to display herself to Japan, on the issue of Manchuria, in the light of a friend—presumably on the calculation that if France struck this attitude in Japan's hour of need, Japan might be disposed, in return, at least to exclude the French possessions and leased territories and concessions and settlements in the Far East from the field of Japanese territorial ambitions.

French diplomacy may also have entertained the idea that Japanese friendship would be a valuable asset to France in the event of any threat to the position of France in the Far East, either in the form of an external attack by some foreign Power other than Japan, or else in the form of a rising against French rule on the part of any of the Far Eastern populations that were subject to French colonial government.

¹ See *The History of the Peace Conference of Paris*, vol. vi, pp. 382–3.

Whatever the respective weight of these various considerations in French minds may have been, there is no doubt that, at the turn of the years 1931 and 1932, Japan was receiving tacit support from the French Government and overt support from the French press. The one effective limiting factor which kept this French policy within bounds was a feeling that, in view of the immense power of the United States, it would be imprudent to allow French complaisance towards Japan to go to an extreme at which it would be in flagrant contradiction with the policy of the State Department at Washington.

This tentative appreciation of the French attitude may perhaps appear at first sight to credit French minds with a scarcely credible narrowness of vision. If not only the people of the United States, but also the peoples of the small countries, were actuated in their Far Eastern policy, at least to some extent, by concern over the large issue of the collective system of security, is it really credible that the policy of France was not influenced by this consideration at all? The interdependence between this general issue of security and the local issue of the Sino-Japanese conflict can hardly have been obscure to French minds when it was plain to American minds, since the French boasted themselves (and this with justice) to be the most intellectual and the most logical-minded nation in the world. Nor can it be supposed that the French divined the interdependence of these two issues, but regarded the fact with indifference; for, so far from being indifferent to the question of 'security', the French were notoriously obsessed by it. How, then, was it that, in this supreme ordeal of the 'post-war' collective system of security, France held her peace and left the cause of security to be championed by the United States and by the small countries (including France's own ally, Czechoslovakia)?

This pertinent query in regard to French policy is partly answered by the statement that the framework within which France envisaged her problem of security was not oecumenical but European. Both for the small countries and for the United States, security was fundamentally a matter of vindicating a principle by enlisting a world-wide public opinion on its behalf. For France, on the other hand, security was primarily a matter of maintaining a preponderance of military power on the continent in which France herself happened to be located.

Within the limits of this Continental European framework, French minds took the wide and logical view that was to be expected of them; and whenever the problem of security in Europe was discussed between French and British statesmen or diplomatists or experts, the French

were perpetually amazed at the narrowness and the illogicality of a British state of mind which stolidly refused to acknowledge the patent fact that, under 'post-war' conditions, the whole of Europe was an indivisible strategic and diplomatic unity, and which accordingly consented to swallow the Locarno Pacts while it strained at the Geneva Protocol. To French minds, the Geneva Protocol was essentially a Pan-European instrument.¹ Yet an observer who concurred with the French view of the British attitude towards Europe might apply the moral to France herself by pointing out that in reality the Protocol was not merely Pan-European but oecumenical; and that, if the British vision of the security problem in Europe was to be condemned as myopic because it saw no further than the Rhine, then French eyes, too, were open to the charge of being afflicted with the same malady if they failed to see beyond the parochial framework of Europe in attempting to envisage a problem which, in the last analysis, was patently world-wide. In the strange insensitiveness of French opinion to the bearing of Japanese aggression in the Far East upon French security in Europe, this French myopia was signally demonstrated. The same French minds that instinctively apprehended international questions in general terms, when these questions arose in Europe, were apparently unable to see the capital question which had arisen in the Far East in other terms than those of the local French interests in Indo-China.

Even so, it might have been supposed that France would have rallied instinctively to the defence of the sanctity of treaties. For was not Japan flagrantly violating the Multilateral Pact of Paris and the Covenant of the League of Nations and the Washington Nine-Power Treaty for the preservation of the integrity of China? And was not France a signatory of all these instruments—not to speak of her equal claim with the United States to the authorship of the first-named instrument of the three (a claim which was acknowledged in its popular short title: 'the Kellogg-Briand Pact')?

On this point, it must be observed that treaties, in this post-war age, fell into two distinct classes. In the one class there were general treaties which asserted the rights of all states equally by vindicating general principles for the government of international relations; and this was the class to which the three instruments above-mentioned all belonged. There was, however, another class of treaties which was more old-fashioned and therefore more familiar: the class of treaties which asserted the particular rights of particular countries

¹ See the *Survey for 1924*, pp. 36-64; the *Survey for 1925*, vol. ii, pp. 2-25; the *Survey for 1930*, pp. 138-9.

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¹ See the *Survey for 1924*, pp. 36-64; the *Survey for 1925*, vol. ii, pp. 2-25; the *Survey for 1930*, pp. 138-9.

in particular fields of interest. The Sino-Japanese group of treaties and agreements relating to South Manchuria were instruments of this second class; and while the public opinion of the world was arraigning Japan for her violation of the three general treaties aforesaid, the Japanese were seeking to excuse themselves on the ground that they were simply acting in self-defence, inasmuch as they were defending their local Japanese treaty-rights. In appreciating the French attitude towards this Japanese plea, it must be borne in mind that the treaties which Japan had imposed on China in 1915 belonged to the same class, and had been brought into force by the same means, as the peace treaty which France had compelled Germany to sign at Versailles on the 28th June, 1919. When the Chinese disputed the validity of the Sino-Japanese treaties of 1915 on the ground that they were signed under duress, and the Japanese retorted that, if these treaties were voided on this ground, then there would be very few treaties in the world that would retain their validity,¹ the Japanese argument was assuredly not lost on French minds—to which, of course, it was deliberately directed. And when the Japanese pleaded, in their turn, that, in their military occupation of Chinese territory in Manchuria outside the Japanese Zone, they were perforce employing the only effective means for defending their treaty-rights against a deliberate attempt to nullify them on the other signatory's part, a French audience could not fail to remember that this very maxim—

The same arts that did gain
A power, must it maintain.

—had been acted upon by the French Government in the French military occupation of the Ruhr some nine years earlier.²

Having now found some explanation of the attitudes of France and Germany, we have to inquire how it came about that a similar attitude was adopted by the United Kingdom; and, here again, we may find our explanation in the convergence of a variety of considerations and motives.

¹ See the *League of Nations Official Journal*, December 1931, pp. 2516–17.

² The Japanese apologia for the military occupation of Manchuria as a necessary and therefore legitimate act of self-defence against attempted violations of Japanese treaty-rights was in fact more convincing than the similar French apologia for the military occupation of the Ruhr. For the alleged German breaches of treaty which the French adduced were merely passive (consisting in the non-payment of debts and non-fulfilment of other German treaty-obligations), whereas the Japanese alleged that the Chinese were not merely failing to carry out their own treaty-obligations, but were making a deliberate assault upon Japanese treaty-rights.

From the very beginning of the international crisis which was precipitated by the Japanese *coup* of the 18th/19th September, 1931, opinion in the United Kingdom was sharply divided on the question of what the policy of the British Government ought to be; and this division—unlike the usual alignment of British opinion on questions of foreign policy—showed a tendency to follow the domestic lines of division between political parties and social classes. The British ‘governing class’¹ (which had come back into power in the United Kingdom on the 25th August, 1931, twenty-five days before the Japanese launched their offensive in Manchuria) revealed an instinctive sympathy for Japan which is traceable to several distinct sources.

One of these sources was the spirit for which the name ‘Imperialism’ had been coined by its critics. During the ‘post-war’ years, British ‘Imperialism’ had been steadily retreating in the great Asiatic dependency of the British Empire in India; and while it was true that, even in imperialistic-minded circles, the wisdom of this political strategy in India had been recognized by all but a small and unrepresentative minority, it was also true that, in these same circles, the new policy had been accepted somewhat grudgingly, with a certain resentment and misgiving, as a painful and humiliating necessity rather than as a desirable and promising step forward in political progress. In these British eyes it seemed as though the historic mission of the British Raj in India were in the act of being destroyed and not in the act of being fulfilled; and it also seemed somehow unnatural that, in the relations between the English and the Indians, it should now be the English that were making concessions and the Indians that were having their way. In fact, in these circles in the United Kingdom, the policy of raising India, by progressive stages, to Dominion status had been accepted with the head but not with the heart. The psychological outcome was a residual grievance, in these circles, against the ‘uppishness’ of ‘under-dog’ in Asia; and the more thoroughly and steadily this feeling was repressed in the field of responsible political action, the more insistently it demanded some irresponsible emotional vent. This vent was half-unconsciously, but none the less effectively, supplied by the spectacle of the Japanese turning and rending the Chinese, first in Manchuria and then at

¹ This conventional term was perhaps strictly obsolete now that a Government representing ‘the Working Class’ (in the conventional sense) had twice held office in the United Kingdom. At the same time, the old terminology held the field, pending its replacement by some other. In the present chapter, the term ‘Governing Class’ is used in its widest sense to include ‘the City’ and ‘Big Business’ as well as ‘the Professions’ and ‘the Services’ and the rapidly dwindling category of ‘gentlefolk of independent means’.

Shanghai; for the equation of the Chinese with the Indians and the Japanese with the British presented itself irresistibly to British minds that were imperialistically inclined. These British minds had long been convinced by their native common sense that, in India, it was no longer 'practical politics' for 'top-dog' to deal with 'under-dog' in this drastic fashion. But, on this very account, they nursed a strong feeling that 'under-dog' stood in need of receiving from somebody the lesson which British hands in India were not able any longer to administer to him. And now, here at last, in the Far East, 'under-dog' was receiving this salutary lesson from the Japanese. Was not 'gallant little Japan' here fighting a battle which was really the battle of every Imperial Power in Asia?

If this was the general sentiment of the British governing class at the turn of the years 1931 and 1932, it was reinforced, in the hearts of certain influential sub-groups within that class, by certain additional considerations.

In those mercantile circles, for example, that were engaged in the China trade, it needed no emotional analogy between Britain and Japan or between the Indians and the Chinese to awaken the feeling that the Japanese were fighting a British battle. For these British circles were not merely hostile to the Chinese in their symbolic capacity as representatives of an insurgent Asiatic 'under-dog'. They were exasperated with the Chinese themselves as the result of a long-drawn-out encounter in circumstances similar to those which had aroused an exasperation against the Indians among wider circles of English people of the same class. For, on a smaller scale, the policy of the British Government in China, and the reaction to this policy on the part of those English people who were personally concerned, had been following much the same course as the contemporaneous British policy and British reaction in India. In China, as in India, British policy had been executing a calculated political retreat which British hearts resented, notwithstanding its approval by British heads; the resultant psychological situation was very similar; and the emotional satisfaction which the action of Japan supplied was, of course, all the stronger in this case because it was direct.

In order to understand the attitude of the British business community interested in the China trade towards the Sino-Japanese conflict which broke out on the 18th/19th September, 1931, it must be remembered that, during the six years and more that spanned the interval between that date and the Shanghai and Shameen shooting incidents of the 30th May and the 23rd June, 1925,¹ British interests

¹ For these incidents, see the *Survey for 1925*, vol. ii, pp. 381-7.

in China had suffered fully as much, in the aggregate, as Japanese interests in China from the Chinese 'anti-foreign movement',¹ while the policy of Great Britain in China in the face of provocation and injury to British nationals had been at least as forbearing as the policy of Japan during the same years.² At the turn of the years 1931 and 1932, when Japan was handling China with the mailed fist instead of the velvet glove, while British policy still remained what it had been, it was perhaps human—though probably short-sighted and unquestionably unedifying—that a certain section of the British trading community which had had unpleasant experiences of Chinese hostility or unreasonableness in previous years should remember old scores and should take a malicious pleasure in seeing them paid off by the Japanese Army on behalf (as they saw it) of the whole foreign trading community in China, European as well as Japanese. In any case, this feeling was not only rife in these particular British circles, but was openly displayed; and since those Englishmen who had personal dealings with China were apt to be taken as oracles on Far Eastern affairs by the rest of their fellow-countrymen, this temper in these circles was a not unimportant factor in the formation of British public opinion at a time when the manifest gravity of the Sino-Japanese conflict was arousing an unusually widespread interest in the Far Eastern problem in the United Kingdom.³

Another influential sub-group within the British governing class which had special reasons for adopting and advocating a 'pro-Japanese' point of view was the element conventionally described as 'naval and military circles'. The responsible representatives of 'the fighting services', and especially the representatives of the Navy, were naturally alive to the fact that the total effect of the Washington Treaties of 1921-2 had been to leave Japan physically supreme in the Far East on land and sea and in the air. The strategic position was such that the Japanese Empire with its insular and continental dependencies, including the newly-occupied territory in Manchuria, was virtually immune from any serious attack on the part of any foreign Power, whereas a number of important foreign holdings in

¹ For the Chinese 'anti-foreign movement' and its effects on British and Japanese interests in China during these years, see the *Survey for 1926*, Part III A, section (xii); the *Survey for 1927*, Part III, section (iii); the *Survey for 1928*, Part IV, section (ii).

² For Japanese policy towards China in this phase, see the *Survey for 1931*, p. 401.

³ There was, it is true, another section of the British trading community in China which was sympathetic towards the Chinese; but unfortunately this section consisted, for the most part, of the less aggressive and less vociferous of the merchants, whose voices were drowned by the chorus of the 'Die-hards'.

the Far East were potential hostages in the hands of Japan. In the event of hostilities, the Japanese had it in their power to strike at Russia by attacking the Maritime Province, and at the United States by attacking the Philippines, and at France by attacking Indo-China, and at the British Empire by attacking Hongkong and Malaya, and at all the world by attacking the two foreign settlements at Shanghai, in which almost every trading nation in the world had a certain stake. This strategic consequence of the Washington Treaties had of course been foreseen, and deliberately incurred, at the Washington Conference as a *quid pro quo* for the termination of the Anglo-Japanese Alliance. The intention had been to assure Japan that she was not threatened with an aggressive anti-Japanese combination on the part of the English-speaking Powers; and the indispensable guarantee that Japan would not abuse the regional immunity, thus conferred upon her, for the purpose of regional aggression had been the Japanese signature of the Nine-Power Treaty which provided for the integrity of China. The 'gentleman's agreement' which was thus implicit in the Washington Treaties had been thrown to the winds by the Japanese on the night of the 18th/19th September, 1931; but the strategic consequences of the Washington settlement remained; and accordingly it was not only the right, but the duty of responsible naval and military experts in countries which were under an obligation to uphold the collective system of security, to scrutinize anxiously any collective policy which might conceivably lead to hostilities between their own country and Japan, and to point out plainly to their own countrymen what the naval and military implications were likely to be.

The question remains: Why was it that these warning voices were raised more loudly—or at any rate heard more audibly—in this crisis from the lips of British naval and military experts than from those of their American colleagues?

The fact seems to be that, in addition to the professional anxieties in regard to the strategic situation in Far Eastern waters which must have been shared at this juncture by all the naval experts of all the naval Powers other than Japan herself, the British naval experts were also affected by another consideration which was a psychological legacy of recent history. For the policy of judicious concession which the British Government had pursued towards India in consenting to the progressive introduction of Dominionself-government, and towards China in rendering back the British concessions at Hankow and Kiukiang and in negotiating for the surrender of extraterritoriality, had likewise been pursued by the British Government towards the

United States in the successive naval negotiations which, in the London Naval Treaty of the 22nd April, 1930, had reached their intended conclusion in the establishment of a thorough-going Anglo-American naval parity. In all these great and statesmanlike transactions, the course of psychological events had been the same. The British governing class had been convinced intellectually of the expediency of the line which the British Government were taking; but, nevertheless, the sacrifices of power and prestige (in the traditional sense) which all these concessions entailed had gone against the grain with them and had left a feeling of soreness behind. In the matter of naval parity, this residual feeling of soreness in the hearts of the British governing class was naturally sorest in 'naval circles'; and their resentment was inevitably directed against the United States—whose Admirals were thenceforth to have exactly as large a fleet to play with as their British playmates had—and not against Japan, who had perforce accepted a ratio which was appreciably lower than the level at which the Anglo-American parity was to stand. With this residual grievance from ten years of delicate and sometimes acrimonious negotiations still fresh in their minds, British 'naval circles' had a further motive for practising and preaching complacency towards the Japanese. They not only viewed with professional concern even the remote possibility of the British Navy becoming involved in hostilities with Japan in Far Eastern waters, they also contemplated with a certain personal distaste the corollary which, from the strategic standpoint, might have been regarded as reassuring: the contingency, that is to say, that, in the event of such hostilities breaking out, the British Navy would not only have the Japanese Navy for its enemy, but would also have the American Navy for its ally.¹

¹ This imponderable but important element in the feeling of British 'naval circles' at this time is illustrated in the following passages from the record of a discussion on the Shanghai crisis which took place at Chatham House on the 22nd February, 1932 (the full text will be found in *International Affairs*, vol. xi, No. 2, March 1932):

Sir Arthur Salter: 'I think that from the very beginning the right policy of this country would have been to direct all its efforts to securing world action, partly through the League of Nations, and also with the signatories of the Kellogg Pact, particularly the United States, to exercise persuasive influence (followed up if necessary by suitable economic pressure) to stop Japan from proceeding from one step to another as she has done, first in Manchuria and then in Shanghai, in breach of her obligations under three Treaties. . . .

'I realize that at this moment, even with complete unanimity, some risk is involved. Personally, in view of the risks involved in the alternative, I would take that risk; but on one condition, which I should like to make perfectly clear—the condition that you do get collective world action,

It will be seen that at least three distinct grievances—only one of which was a direct grievance against China and the Chinese—

including American action, and that each country is inescapably linked in and publicly engaged to stand together and take the consequences. . . .

'If we cannot now effectively secure world action, including the United States, I would suggest that we and other members of the League of Nations should not gloss over the matter, but should state frankly that the particular conditions of the Far Eastern situation are such that we cannot control it at the present time, but that in any case we do not recognize as valid any settlements arrived at at the point of the sword. If the time is not now, the time may well come later when we shall be able to give such a statement of non-recognition a practical effect.'

Admiral Sir Sydney Fremantle said that anybody who advocated a particular policy should take into full consideration what the consequences of that policy were likely to be. . . . Where a policy involving military or naval operations was projected, the views of the General Staffs should be consulted, and it was very doubtful whether the advice which would be given by the Staffs to anybody proposing the policy suggested by Sir Arthur Salter would not be of such a nature as to make the proposal entirely impracticable.

'The policy which appeared to be advocated was that of economic blockade. This presumably meant the cutting off of all commercial intercourse. How was this to be done? It could not be done by legislation. The enterprise of people connected with commerce was far too great. The difficulties were especially great when the blockade under consideration was that of an island. The whole thing was impracticable. The United States, with her ideas of the freedom of the seas, would be ready to turn any war to her own advantage. An economic blockade would have to be supported by a military blockade—an extremely difficult operation of war—which in the case of an island Power would have to be carried out by sea. When international sea forces were required the British Navy did ninety per cent. of the work—leaving the United States out of the question. The British Navy would be called upon to conduct this extremely difficult operation against our old ally, under strategical conditions much to our disadvantage, and necessarily involving our bringing Great Britain into the most undesirable contact with the United States.

'Those who advocated this policy of economic pressure, which in his view would infallibly lead to war, were leaving out of consideration the position of the Navy and Army—the people who would have the fighting to do. These men were treated as pawns in the political game. In war they were called upon to endure hardships, discomforts of every kind, and to run considerable risk of their lives. It was their duty to do so, of course, and they did it willingly so long as national interests were concerned; but to expect soldiers and sailors to do this in furtherance of an international object with which they might or might not agree was a very different matter.'

Sir Arthur Salter replied that Admiral Fremantle had conclusively shown the unwisdom of two proposals which he himself had not made. He had never for a moment suggested that any action should be taken which would risk the British Navy being involved without the American Navy. On the contrary, he had said deliberately that if such agreement was impracticable, Great Britain should turn to the other policy, involving no use of economic action whatever, and declare that she did not recognize any agreements arrived at at the point of the sword.

'Secondly, if the United States did co-operate, he did not suggest an economic blockade in Admiral Fremantle's sense. He would be content that

conspired to make the British governing class regard with disfavour any suggestion that the obligations of the United Kingdom to do her part in upholding the collective system of security in a time of crisis might conceivably require her to incur the risk of coming into collision with Japan. There were, of course, people in Great Britain at the time who regarded the preservation of the collective system, even at a considerable risk, as the paramount national interest of their country as well as her plain international duty; but those who took this view were in a minority, and the domestic political situation at the moment made their political influence count for even less than was warranted by their numbers.

The scales of British foreign policy were still further inclined in the other direction by a personal factor. Sir John Simon, the Foreign Secretary of the day, had assumed this particular Secretaryship of State (for the first time in his long and distinguished political career) on the 5th November, 1931, to find himself confronted from the outset with the gravest crisis in international affairs that had arisen since the close of the General War of 1914-18. In playing a new rôle of the highest responsibility, under anxious and exacting conditions, Sir John Simon employed all the vigour and subtlety of a brilliant and practised legal mind in the pursuit of a diplomacy which was perhaps more in keeping with the international conditions of a past century than with those of the epoch in which Fate had summoned this English statesman on to the international stage. In saving the Government which he represented from being committed to any course of action which might involve it in any risk, or which, even short of that, might be resented officially as unfriendly by any other Power, Sir John Simon showed, throughout, a marvellous address, while in his most brilliant moments he emulated the virtuosity of a Talleyrand or a Metternich. At the same time, 'it might be the subject of an academic doubt' (to parody the elegant phrases of a contemporary Japanese state paper)¹ whether, in Sir John Simon's case, the virtuosity 'of means necessarily and always' avoided 'the ends secured'. For the ends which were actually secured by Sir John Simon's diplomacy (on the concordant testimony of British and foreign observers alike) were a disquieting uncertainty in regard to

the United States and other countries in the League of Nations should simply prohibit the entry of Japanese goods into their territory for a certain time. That would be quite sufficient, if it ever came to that, though he did not believe it would, and the operations suggested by Admiral Fremantle would not be involved at all.'

¹ The Japanese note which was addressed to the Government of the United States on the 16th January, 1932. (For this note, see further, pp. 545-6 below.)

British objectives, and a corresponding mistrust of British intentions, in the minds of Sir John Simon's foreign colleagues at Washington and at Geneva; and this diminution of confidence and good will was inevitably accompanied by a cooling-off of old friendships to a degree which could scarcely be recompensed by the utmost adroitness in the avoidance of new enmities.

The truth would appear to be that, in the year 1932, a diplomacy whose conception of national interest and criterion of professional success was essentially negative and unconstructive was really an anachronism in the sense that it was inadequate for dealing effectively with the problem of international intercourse under the social conditions of this age. In the foregoing age, which had begun in the generation of Machiavelli and had come to a close in the generation of Bismarck, the web of international relations had been of so loose a texture that 'the good old rule' of 'each for himself and God for us all'¹ had been a feasible foundation for diplomatic practice; and it is evident that, so long as this was the diplomatist's principal rule of thumb, *finesse* was the diplomatist's principal virtue. This rule, however, had ceased to apply in an age when the effects of the Industrial Revolution had knit together the whole habitable and navigable surface of the Planet and the entire living generation of Mankind into a single 'Great Society', in which the 'sovereign independent states' of the *ancien régime* were reduced to the status of subordinate parts whose welfare was inseparably bound up with the welfare of the whole. Under these new conditions the only feasible foundation for diplomatic practice was the principle that 'no man liveth to himself and no man dieth to himself'²—a maxim which was not the less relevant to this later age because it could claim a more venerable antiquity than Canning's.

In 1932 the world was still awaiting the advent of the statesman who would save Society by inaugurating a new diplomacy in keeping with the new conditions; and, pending his appearance, it was paying one penalty after another for the continued conduct of its affairs on the principles of the old diplomacy long after these principles had passed out of date. The first signal penalty had been the General War of 1914-18; the next was the world-wide economic crisis which had begun in 1929 and which in 1932 was still at its height. Since it was one of the notorious difficulties of human affairs that psychological changes always lagged behind those periodical changes in

¹ For the occasion on which this famous remark was made by Canning, see the *Cambridge Modern History*, vol. x, p. 37.

² Romans xiv. 7.

external conditions which called for psychological adjustments, it was impossible, in 1932, to foresee how long the tale of world-disasters was to be. It could only be declared with assurance that at this time the master-statesman of the age had not yet made his appearance in the international council chamber.

After this survey of the factors which gave the policy of the United Kingdom the direction that it actually followed during the year 1932, we may pause to inquire how it was that a contrary motion was not imparted to this policy by the influence of the Self-Governing Dominions of the British Commonwealth Overseas.

In 1932 this influence, when exercised, was abnormally potent owing to the coincidence of a number of causes: the return to power in the United Kingdom of the class which was the most susceptible to Imperial sentiment; and the world-wide paroxysm of Nationalism, which commended, in these circles, the ideal of British Imperial solidarity both as a means of enlarging the national life of the United Kingdom and as a means of defence against the militancy of other Nationalisms in other countries. Had the Self-Governing Dominions taken a strong line over the Sino-Japanese conflict at this juncture, their attitude would assuredly have had its effect upon the policy of Downing Street. And, *a priori*, it might have been expected that the Dominions would react to the Far Eastern crisis with some violence, and that their reaction would be identical with that of the other small countries of the world. It might have been expected, that is to say, that the Dominions would have exerted their influence in Downing Street in favour of resolutely upholding the collective system of security against Japanese aggression.

The grounds for this expectation were that three out of the five Self-Governing Dominions—namely Australia, New Zealand and Canada—were countries which had seaboard on the Pacific, and that in Australia and New Zealand, especially, there was a traditional dread of 'the Yellow Peril'. This dread was not difficult to account for in the minds of young White communities with an abnormally low pressure of population at home who found themselves the neighbours of old Oriental communities in whose homes the pressure of population was abnormally high. In these circumstances it was natural to surmise that the automatic tendency towards an equalization of population pressures would be difficult, in the long run, to resist. This consideration had accustomed the New Zealanders and Australians to gaze at Asia with anxious eyes; and latterly their nervous watchfulness had come to be concentrated upon Japan, as the Asiatic Power which was at once the most sorely in need of finding

an outlet for its population and the most effectively equipped for securing such an outlet by force. In such circumstances, it might have been expected that, in these countries, a cry of alarm would have been raised when, on the night of the 18th/19th September, 1931, the Japanese Army went upon the war-path, and that the alarm would have increased as it became apparent that, in this reversion to militancy, the Japanese Army was sweeping the Japanese nation along with it. Such *a priori* expectations, however, were falsified by the event; for, when the Far Eastern crisis arose, public opinion in the South Sea Dominions paid little attention, and, in so far as it did attend, it showed itself in favour of giving Japan her head.¹

The lack of interest in the Sino-Japanese conflict is readily explained by the urgency of the troubles with which the peoples of these countries were having to contend at home. For Australia and New Zealand belonged to that raw-material-producing and foodstuff-producing category of countries in which the incidence of the world-wide economic depression was peculiarly severe.² In 1932 their peoples were ruefully 'licking their wounds', and were too deeply engrossed in this dismal occupation to find much leisure for looking abroad.³ It is not so easy to understand the view which Australians and New Zealanders took of the Japanese adventure on Chinese soil when they did give their minds to it. Their predominant mental reaction appears to have been a sheer sense of relief that the Japanese tiger, now that he had made, at last, his long-expected spring, had chosen to leap the Yellow Sea and bury his claws in the flesh of China, instead of attempting to leap the Pacific and seek his prey in New

¹ In so far as the people of Canada showed any interest in the Sino-Japanese dispute, their attitude resembled that of the small European nations and of South Africa more closely than that of the South Sea members of the British Commonwealth. The 'Yellow Peril' was less of an obsession in the minds of Canadians than it was in the minds of Australians and New Zealanders, and Canadian opinion on the Far Eastern question was inevitably coloured to a certain extent by the policy of the United States. It was significant that at the special session of the League Assembly in March 1932, when the majority of the representatives of the smaller Powers declared their views on the Sino-Japanese dispute with no uncertain voice, the delegates of Australia and New Zealand held their peace, while the Canadian delegate, like his South African colleague, took his stand with the majority, whose interest in the dispute arose out of its repercussions upon the collective system of security, and whose main object was to defend the integrity of the Covenant and of the Kellogg Pact. (See p. 517 above, and pp. 575-7 below.)

² For the economic difficulties encountered by these countries in the preceding year, and for the social and political repercussions, see the *Survey for 1931*, Part I, section (i).

³ This is how the situation was described to the writer of this *Survey*, in the year 1932, by a New Zealander.

Zealand or Queensland. They reckoned, apparently, that, for the moment, Japan had 'bitten off as much as she could chew', and that eventually she would emerge from her Chinese adventure either satiated or exhausted, and in either event less formidable to her other neighbours than she had been before. They do not appear to have reflected that it is not so easy to set limits to a tiger's range if once he has been permitted to break out of his cage, and that, if he proves a 'man-eater', his appetite becomes insatiable when he has had his first taste of human blood. Ignoring these considerations, they were apparently inclined to regard the break-down of the collective system of security as a cheap price for the privilege (accorded in the fairy-tale to Odysseus by the Cyclops) of being eaten last.¹

It is evident that this attitude of the South Sea Dominions, in so far as it was conveyed to Downing Street, must have reinforced the effect of the other factors, determining British policy, which have already been surveyed.

Some account has now been given of the respective attitudes of all four groups of Powers except the fourth and last, which consisted solely of the U.S.S.R.

The policy of the Soviet Government towards the Japanese military adventure in Manchuria can be summed up in a few words. It was a policy of invincible restraint and impenetrable reserve. The Soviet Government did take the precaution, in the course of the year 1932, of strengthening the Russian garrison in the Maritime Province, as has been recorded above;² but, as far as concerned their rights and interests and assets on Manchurian soil, they steadfastly responded

¹ The attitude which has been attributed to the South Sea Dominions of the British Commonwealth in the foregoing paragraph is illustrated by the following passage from the record—already quoted above—of a discussion which took place on the 22nd February, 1932, at Chatham House:

'Major A. H. Horsfall said that, as an Australian, he would like to voice the British Empire point of view in its larger aspects. Nothing had been said during the discussion as to the vital interests of the British living in Australia and New Zealand—nearly ten millions of them—with the potentialities, under peaceful development, of the United States of America. Australia had been founded after the destruction of the first British Empire for the purpose of raising a second British Empire. Japan, like every other force in nature, would take the line of least resistance. With a million increase in population in that country every year, she must have expansion somewhere. Let it not be south! Let it be west towards Asia! The high policy of Great Britain should strive as far as it could to direct the energies of Japanese expansion towards Asia instead of south towards the Australian Commonwealth.'

The gist of the policy which is advocated in this passage is pithily conveyed by Edward Lear in the well-known rhyme which celebrates the 'sacred egoism' of a young lady of Smyrna.

² See p. 436 above.

to Japanese encroachments by turning the other cheek; and their settled policy *vis-à-vis* Japanese aggression was evidently a policy of peace at any price short of an actual Japanese invasion of Russian soil. This policy was no doubt due in large measure to the great military, and even greater naval, inferiority of the Soviet Union to Japan in the Far East. But this cannot have been the whole explanation, since on the European side, on which the Soviet Union was relatively strong, the Soviet Government's policy at this time was markedly pacific likewise. It may be conjectured that Soviet Russian statesmanship in 1932, as in 1918, was also deliberately playing a waiting game, in the belief that the militant policy of its aggressive neighbour contained the seeds of its own destruction, and that this destruction was likely to work itself out if only it were given time.

This Russian policy appears the more remarkable the more clearly it is realized exactly what the situation of the Soviet Union was. To begin with, Russia was affected territorially by the Sino-Japanese conflict to a vastly greater extent than any other Power apart from the two combatants themselves. The Soviet Union marched with 'the Three Eastern Provinces' of China, which were the field of Japanese military operations, for nearly 2,000 miles, from a point just north-west of Manchuli to a point just south-west of Vladivostok. The two largest of the three provinces, namely Heilungkiang and Kirin, combined to form a huge salient of Chinese territory, under Japanese occupation, which projected into the Soviet Union's domain. The direct line of communication between the main body of the Union and its Pacific port of Vladivostok traversed these two provinces in the shape of the Chinese Eastern Railway; and even the circuitous alternative all-Russian railway, from China to Vladivostok via Khabarovsk, skirted the Chinese frontier so closely—especially in its southernmost section along the right bank of the Ussuri—that it would be difficult to guard it against being cut by a first-class military Power which had Manchuria at its command. It must be added that the Chinese Eastern Railway was one of the Russian assets in Manchuria over which the Japanese had seized control; that this railway had originally been built by Russian enterprise; and that it had remained Russian property under the terms of the Russo-Japanese peace treaty of 1905, when its southern branch, from Changchun to Port Arthur, was ceded to Japan to be transformed into the Japanese-owned South Manchuria Railway. By a Sino-Russian agreement of the 31st May, 1924, which had been freely negotiated between the Government of the Soviet Union and the Government of the Chinese Republic (the respective heirs of the

Romanovs and the Manchus), the Russians had voluntarily ceded to the Chinese a half-share of the ownership of the railway and a half-share of the management; but when, in 1929, the Chinese had sought to rob the Russians of this half-share by tearing up the agreement and seizing the entire control of the railway by force, the Russians had refused to give way and had eventually secured a restitution of their rights through a military demonstration when diplomatic representations had proved, after patient trial, to be of no avail.¹ Having thus vindicated their cherished rights in the C.E.R. against Chinese aggression in 1929, the Russians now saw these same rights trampled upon by the Japanese, with equal roughness, only two years later. And yet, in these trying circumstances, they kept their heads and held their hands.

The first diplomatic reaction of the Soviet Government to the somewhat alarming situation which had been created for the U.S.S.R. by Japanese action in the Far East was an attempt to secure the conclusion of a Russo-Japanese non-aggression pact. This idea was broached by the Soviet Government to Mr. Yoshizawa in December 1931, when that Japanese statesman was passing through Moscow *en route* from Europe to Tokyo, where he was to take up the post of Foreign Minister. This Russian overture was rebuffed by Japan, who was at pains to represent herself in Western eyes as a bulwark against the penetration of Communism into the Far East by way of Manchuria; and although rumours of an impending Russo-Japanese understanding were current from time to time in the course of the year 1932, Mr. Matsuoka's conversations with Russian statesmen at Moscow in November 1932, when he was on his way from Tokyo to Geneva,² led to no more result than the conversations in which Mr. Yoshizawa had taken part in the same capital eleven months earlier. The next straw which gave some indication of the way that the wind of Russian policy was likely to blow thereafter was the announcement, on the 12th December, 1932, that the formal re-establishment of diplomatic relations between the Soviet Union and the Chinese Republic had been consummated on that day.

These relations had been broken off, as will be remembered, in the year 1927, and this on Chinese initiative, as a retort to the alleged propagandist activities of Russian Communists in Chinese territory.³

¹ See the *Survey for 1929*, Part IV A, section (iv).

² See, in *The Manchester Guardian*, 7th December, 1932, the outspoken and interesting interview on his conversations at Moscow which Mr. Matsuoka gave, after his arrival at Geneva, to a correspondent of *The Manchester Guardian* in that city.

³ See the *Survey for 1927*, Part III, section (ii).

The breach had been accompanied in China by the expulsion of Soviet Russian officials and the liquidation of Soviet Russian institutions; these precautionary measures had been carried out in a drastic fashion which was calculated to produce the greatest possible soreness on the Russian side; and thereafter the Chinese had shown themselves obstinately unwilling to undo what they had done. The Soviet Government, on their part, had made no secret of their desire to see their diplomatic relations with China restored; and one of the conditions of the Khabarovsk Protocol of the 22nd December, 1929, which had been imposed by the Soviet Government upon Chang Hsueh-liang's Government in 'the Three Eastern Provinces' after the Russian military demonstration had brought 'the Young Marshal' to his knees, had been the inclusion of 'the full restoration of diplomatic relations' among the agenda of a Sino-Russian conference that was to open in Moscow in January 1930.¹ In the event, the Moscow Conference had been rendered abortive by the Russian insistence and the Chinese intransigence on this very point. Accordingly, the ultimate resumption of relations between the two Powers on the 12th December, 1932, marked a notable concession on the Chinese side and a notable success for Russian diplomacy. Yet the diplomatic history of the previous years suggests that the Soviet Government might have had to wait long indeed before achieving this success if Japanese policy had not played into Russian hands in this matter.

The consideration which induced the Chinese Government to reverse their policy towards the Soviet Union was, of course, a feeling that Japanese pressure upon China had reached a pitch at which it was even more formidable than the Soviet Russian menace. It was a similar reaction against the pressure of 'the Capitalist World' that had led Dr. Sun Yat-sen, in 1923, to enter into relations with the Russian Communists and to introduce Monsieur Michael Borodin into Canton as an adviser to the Kuomintang Government, which was at that time established in that city. Considering the immense effect which, in these circumstances, the Russian Communist connexion had exerted upon Chinese internal affairs, and upon China's foreign relations, in the ensuing years, it is evident that the renewal of Sino-Russian relations at the close of the year 1932 was fraught with momentous possibilities—occurring, as it did, at a time when China was being subjected to foreign pressure of a more violent kind than any that she had yet experienced since the beginning of the Revolution, more than twenty years back.

The Japanese Government took the news seriously, and did not

¹ See the *Survey for 1929*, p. 369; the *Survey for 1930*, pp. 358–60.

attempt to conceal their feelings. On the 13th December, 1932, the official spokesman at Tokyo declared that the news was 'most unwelcome'. 'The elements most disturbing to the peace of the world have now joined hands', he said; and 'Japan', he added, 'stands squarely against these forces'.¹

A public statement on the subject was also made, on the 12th December, by the Kommissar for Foreign Affairs at Moscow, Monsieur Litvinov, and in this statement the following passage occurred:

The policy of the Soviet Government dictates the establishment and maintenance of normal relations with all States, and does not consider the rupture or refusal of relations to be a suitable means of regulating international questions. It is unlikely that any State which in the past has had recourse to this method can boast of any successes in settling questions in dispute with the Soviet Union. It is most unlikely that anyone in China to-day can think that the regrettable events which led to the rupture of relations between the U.S.S.R. and China were of any benefit to the latter. But it is beyond doubt that the beginning of the present troubles in the Far East was in no small degree due to the fact that not all the States situated on the shores of the Pacific Ocean have been maintaining diplomatic relations one with another.²

This passage was manifestly addressed not only to China but also to the United States, and the quotation may serve to bring this chapter back to its starting point, and to lead on to the next.

In view of the respective attitudes of the several groups of Powers, as these attitudes have been outlined above, it is evident that the United States would be likely to take the initiative in seeking to vindicate the collective system of security and to render the Japanese military aggression in Manchuria of no effect; and it is further evident that, in pursuance of this policy, American diplomacy would seek to obtain the support of the widest possible circle of interested parties. Our survey further indicates that the Soviet Union and the galaxy of small countries were the two groups towards which the Government at Washington would naturally turn most confidently in the expectation of finding a sympathetic response. But here, again, the natural course of events was impeded by the perversity which reigned at this time in international affairs; for American diplomacy now found itself handicapped by obstacles of its own creation.

In the Far Eastern crisis which had arisen since the 18th September, 1931, the United States was hindered from entering into co-operation with the U.S.S.R. (as Monsieur Litvinov justly pointed out) by its

¹ *The Manchester Guardian*, 14th December, 1932.

² *The Times*, 13th December, 1932.

long and obstinately maintained refusal to recognize, and to enter into diplomatic relations with, the Soviet Government; and at the same time the United States was hindered from entering into co-operation with the small countries by its equally long and obstinate refusal to become a member of the League of Nations, since the League was the only forum in which it was open to the small countries at this time to make their combined diplomatic and moral influence felt effectively. In face of these two obstacles, American diplomacy in the year 1932 appears to have made little effort to achieve co-operation with the Soviet Government; but it did set itself seriously to co-operate with the small countries through the League of Nations, and it attempted this in the only way open to it in the circumstances. It sought for a partner among the Great Powers members of the League who would be likely to agree with the United States upon a common policy and who would also be able to act, in parliamentary language, as 'the leader of the house' in advocating this policy, and enlisting support on its behalf, in the Council and the Assembly of the League of Nations.

In seeking for this indispensable partner, the United States Government looked to the United Kingdom rather than to France or Italy or Germany, and this for several good reasons. The United Kingdom had greater material interests in the Far East than any other Western Power; it was one of the three Oceanic or Principal Naval Powers of the World in the trinity which included the United States and Japan; and as a matter of fact the British Government had taken positive steps on previous occasions during the 'post-war' years when the situation in the Far East had been critical or delicate. In 1927, for example, when the Kuomintang (at that time in Russian Communist leading strings) was sweeping across the Yangtse Basin, in the hinterland of Shanghai, in the course of its victorious march from Canton to Peking, the British Government had sent a British Defence Force to Shanghai to ensure the safety and neutrality of the International Settlement.¹ And before that, throughout the Washington Conference

¹ See the *Survey for 1926*, Part III A, section (xii) (f); the *Survey for 1927*, Part III, section (iii) (b); the *Survey for 1929*, pp. 324-5 n. It was not publicly known at the time that the British Government had urged the Japanese Government, without success, to undertake the expensive and invidious duty of defending the International Settlement at Shanghai in 1927, before the decision was taken in London to send a British force to perform the task. This unpublished chapter of diplomatic history doubtless handicapped the British Government when they had to deal with the military action of Japan at Shanghai in 1932 (though, of course, Japan's action at Shanghai in 1932 was something entirely different from what Great Britain had invited Japan to do, and had eventually done herself, in 1927).

of 1921-2, the British had worked hand in glove with the Americans in undoing the results of the encroachments which Japan had made in the Far East, during the General War of 1914-18, at Chinese and Russian expense. The outcome of this Anglo-American co-operation at Washington, ten years back, had been one of the outstanding diplomatic successes of the 'post-war' period. Without any breach of amicable relations, or even any serious or lasting strain, Anglo-American diplomacy had induced Japan to accept a re-settlement in the Far East and the Pacific on a basis which was equitable and reasonable in itself and which had effectively served thereafter to keep the peace in that quarter of the world until Japan had eventually overthrown it by her high-handed unilateral action on the 18th/19th September, 1931. In view of this antecedent chapter of diplomatic history, it was eminently natural that, in 1931 and 1932, the United States should look once more to the United Kingdom, first and foremost, as the Power which would be the most likely to see eye to eye with her in the new Far Eastern crisis and would also be the most potent in helping to put into effect, both in the Far East and at Geneva, any common policy on which London and Washington might agree.

This American expectation was not unreasonable, and, had it been fulfilled, it may be conjectured that the course of international affairs in 1932 would have run more smoothly than it actually did run in the Far Eastern field. On the British side, however, the desired and anticipated response did not prove to be forthcoming. Instead of welcoming the American overtures for co-operation as a heaven-sent opportunity for securing a notable and lasting improvement in the international situation—not only through a satisfactory solution of the immediate crisis, but through a permanent *rapprochement* between the United States and the League of Nations—British diplomacy appears to have flattered itself that a lucky turn of fortune had now placed the United Kingdom in a key position which could be turned to advantage in the old-fashioned manner, in accordance with the old-fashioned conception of international values. At any rate, British diplomatists proceeded to act as though this were their state of mind. The American overtures for co-operative international action to vindicate the collective system of security were neither accepted on the British side with the cordiality that was requisite if they were to be effective, nor again were they rejected with such brusqueness as to give the State Department at Washington sufficient ground for officially taking offence. In fact, throughout the year 1932, the Foreign Office in Whitehall took advantage of its key

position between the United States and the small states members of the League on the one hand, and between the United States and Japan on the other, to finesse in the manner of those eighteenth-century diplomatic virtuosi who sought to save their own countries and 'to preserve the Balance of Power' by deftly playing off one neighbour against another at the least possible risk to themselves.

This revival of a bygone art would have been more agreeable to the spectators (whose own lives and fortunes were at stake in the game) if the conditions had remained what they had once been at the time when the art of eighteenth-century diplomacy was originally elaborated. Actually, however, this art was the fine flower of an age in which international affairs were not yet a serious business because the sister art of war had not yet been turned into a form of social suicide by the advent of the two titanic forces of Democracy and Industrialism. In the Democratic and Industrial Age, which was at its zenith in the year 1932, the diplomacy of the eighteenth century could no longer be practised with impunity. The diplomatic history of the Far Eastern Question in this year, which is recorded in the following sections, demonstrates this proposition by an empirical proof.

(b) THE ACTION OF THE UNITED STATES

In the *Survey for 1931*, some account has been given of the diplomatic consultations concerning the Far Eastern crisis, and the pleas and protests against successive steps in the Japanese campaign of military aggression, which fell to be recorded between the 18th September, 1931, and the close of the calendar year. It was not until after the turn of the year that a positive policy, based on a considered principle, for dealing with the Far Eastern situation was put forward by any Government; and when this counter-step was taken at last, it was taken by the Government of the United States.

On the 7th January, 1932, the Secretary of State at Washington, Mr. Henry Stimson, sent an identic note to the Chinese and Japanese Governments, in which the most important passage was to the following effect:

In view of the present situation and of its own rights and obligations therein, the American Government deems it to be its duty to notify both the Government of the Chinese Republic and the Imperial Japanese Government that it cannot admit the legality of any situation *de facto* nor does it intend to recognize any treaty or agreement entered into between these governments, or agents thereof, which may impair the treaty rights of the United States or its citizens in China, including those which relate to the sovereignty, the independence or the territorial and

administrative integrity of the Republic of China, or to the international policy relative to China, commonly known as the Open Door Policy; and that it does not intend to recognize any situation, treaty, or agreement which may be brought about by means contrary to the covenants and obligations of the Pact of Paris of the 27th August, 1928, to which treaty both China and Japan, as well as the United States, are parties.¹

Copies of this note were handed simultaneously to the diplomatic representatives at Washington of the other six Powers that were co-parties to the Nine-Power Treaty with China and Japan and the United States. This communication might be regarded as a virtual invitation to the six Governments in question to take similar action on their own part; and no secret was made of the United States Government's hope that such action would in fact follow. This hope, however, was disappointed.

In making his *démarche* of the 7th January, Mr. Stimson seems not only to have set the greatest store by the support of His Britannic Majesty's Government in the United Kingdom, as the Government whose co-operation would be likely to produce the greatest results both in the Far East and at Geneva; Mr. Stimson seems also actually to have cherished greater expectations of support from this quarter than from any other—partly on the strength of a passage in the joint *communiqué* which Mr. Hoover (who was still President of the United States) and Mr. MacDonald (who was still Prime Minister in the United Kingdom) had issued on the 9th October, 1929, during Mr. MacDonald's visit to the United States.² In this passage, the executive heads of the American and the British Government had declared jointly that—

both our Governments resolve to accept the Peace Pact [i.e. the Pact of Paris now invoked in Mr. Stimson's note of the 7th January, 1932] not only as a declaration of our good intentions, but as a positive obligation to direct our national policy in accordance with its pledge.

Notwithstanding this resolution, the response which the American invocation of the Pact of Paris on the present occasion actually evoked from the Government of the United Kingdom was the following *communiqué*, which was issued by the Foreign Office in Whitehall on the 9th January, 1932:

His Majesty's Government stand by the policy of the open door for international trade in Manchuria, which was guaranteed by the Nine-Power Treaty at Washington.

¹ The full text will be found in *Documents on International Affairs, 1932*. The opening passage, here omitted, deals with the Japanese occupation of Chinchow and with the appointment of the Lytton Commission by the Council of the League of Nations.

² See the *Survey for 1929*, p. 48.

Since the recent events in Manchuria, the Japanese representatives at the Council of the League of Nations at Geneva stated on the 13th October that Japan was the champion in Manchuria of the principle of equal opportunity and the open door for the economic activities of all nations. Further, on the 28th December, the Japanese Prime Minister stated that Japan would adhere to the Open Door policy, and would welcome participation and co-operation in Manchurian enterprise.

In view of these statements, his Majesty's Government have not considered it necessary to address any formal note to the Japanese Government on the lines of the American Government's note, but the Japanese Ambassador in London has been requested to obtain confirmation of these assurances from his Government.

The most conspicuous feature in this *communiqué* was its silence in regard to all the vital issues—the sovereignty, independence and integrity of China, the violation of the Nine-Power Treaty and the Kellogg Pact, and the assertion of the principle of the non-recognition of the illegal results of force—which had just been raised in an American note which was manifestly the most important state paper relating to the Sino-Japanese conflict that had yet seen the light. In taking up the relatively unimportant issue of 'the Open Door'—a question of private interest of the kind which had been the principal concern of 'the Old Diplomacy' in the pre-war age¹—the Government of the United Kingdom were inevitably interpreted as intending to intimate to the Japanese Government that, as far as all the other issues raised in the Stimson Note were concerned, Japan might do virtually what she willed in Manchuria for all that the British Government cared. The perfunctoriness of the British Government's action (such as it was) was further underlined by the fact that, on the one point which the British Government had elected to raise, the formality of a Japanese assurance had been given twice over already, as the British *communiqué* itself pointed out. In France this was hailed as an example of 'British humour';² but there is no hint of humour in a leading article which was published in *The Times* of the 11th January, 1932, on the theme that 'in declining to address a communication to the Chinese and Japanese Governments on the lines of Mr. Stimson's Note, the British Government have acted wisely'.

¹ In the spirit of 'the Old Diplomacy', the Government of the United Kingdom had actually lodged a protest at Tokyo on the 7th January, 1932, that is, on the very date of the United States Government's note to Japan. The subject of this British protest on this date was the detention at Mukden, by the Japanese military authorities, of receipts (deposited in local Chinese banks) which belonged to the Peking-Mukden Railway, a Chinese concern of which the bondholders were British subjects.

² See a despatch from the Paris correspondent of *The Manchester Guardian* which was published on the 11th January, 1932.

In the circumstances it was fully justified in limiting its action to a request for a confirmation of the assurances given by Mr. Yoshizawa to the League Council in October and by the new Japanese Prime Minister a fortnight ago, to the effect that Japan would adhere to the principle of the 'open door' which her Government claims to be defending in Manchuria. There is no doubt that these assurances will be repeated—all the more readily since the principle of equal opportunity for foreign commerce and industry in China has been challenged by the Chinese Nationalists on several occasions since 1922, while the party which organized the boycotts, first of British and subsequently of Japanese commerce, is now in nominal control of China. Nor does it seem to be the immediate business of the Foreign Office to defend the 'administrative integrity' of China until that integrity is something more than an ideal. It did not exist in 1922, and it does not exist to-day.

The reference in this passage to the Chinese boycotts of British as well as Japanese trade reflects the attitude of the British commercial community which has been touched upon in the preceding chapter. The last two sentences of the passage reproduce an argument which was repeatedly heard at this time from Japanese lips and which depended upon an ambiguity of meaning in the phrase 'administrative integrity'. In the abstract, the phrase might be interpreted alternatively as meaning either 'immunity from foreign administrative encroachment' or 'effective administrative control on the part of the national administrative authorities'; and the second of these interpretations was adopted in the Japanese argument here reproduced. But the context of the phrase in the text of the Nine-Power Treaty, the circumstances in which that treaty had been negotiated and signed, and the purpose—explained above¹—which it had been intended to fulfil in the Washington settlement, all showed conclusively that the protection of China from foreign encroachment was the sense in which the phrase was used by the treaty-makers, and that they had made the treaty in order to ensure China of this protection precisely because, as far as her own national administration was concerned, she was in a state of confusion which exposed her as a helpless victim to the danger of a foreign aggression which could only be exorcized by a self-denying ordinance on the part of her neighbours.

In the article above quoted, *The Times* also expressed the opinion—which reads strangely in retrospect—that the Foreign Office in Whitehall did not share the apparent apprehension of the United States Government 'that the Japanese authorities would set up a virtually independent administration in Manchuria which would favour Japanese interests to the detriment of the commerce of other nations'. It further defended the British Government's policy of

¹ See p. 526.

non-co-operation with the United States on the ground that, 'although the Nine-Power Treaty provides for consultation between the interested Powers,' the Government at Westminster 'was not in fact consulted before the Note was communicated to Nanking and Tokyo'. The article closed with the suggestion that the Stimson Note was not only 'drafted without consultation with other Governments' but that it was also conceivably 'influenced to some extent . . . by . . . considerations of domestic politics'.

This article in a prominent London newspaper has been quoted at some length because of its historic importance. For it was undoubtedly read abroad—in the United States, in Japan, and in the small states members of the League—as meaning that the Government of the United Kingdom, in receiving Mr. Stimson's overture as they had received it in public, were correctly interpreting the wishes of those elements in the country which were politically paramount at the time.

The foregone conclusion of the Anglo-Japanese *entrevue* which the British Government had staged can be told in a word. On the 15th January, 1932, the Foreign Office in Whitehall was able to announce that, 'as a result of the conversation between Sir John Simon and the Japanese Ambassador on the 8th January, the Japanese Ambassador' had 'called at the Foreign Office' on the 14th 'and conveyed from his Government express assurances in reference to Japan's disclaimer of territorial ambitions in Manchuria and of her intention to respect the principles of the Open Door and of the Nine-Power Treaty'.

Thus the Japanese Government, with equal promptness and courtesy, actually furnished the British Government with two more assurances than they had been asked to give. This was perhaps a proper return for the British Government's tact in having confined their request to the re-affirmation of a Japanese assurance which they had received from the Japanese Government twice already. The British Secretary of State for Foreign Affairs had in fact voluntarily assumed the role which, in Lewis Carroll's story, was thrust upon Alice in Wonderland willy-nilly, when the Dodo made her a formal present of her own thimble. But the Japanese Government afterwards showed their own ability to seek inspiration from the Victorian literature of their ancient ally by providing themselves with a Mr. Jorkins in the shape of 'Manchukuo'. In a telegram despatched from Changchun on the 20th March, 1932,¹ a representative of *The Daily Telegraph* informed the British public that—

In an exclusive statement given me this afternoon, Cheng Hsiao-hsu, the new Premier of Manchukuo, announced that the historic term 'Open

¹ The full text will be found in *The Daily Telegraph*, 21st March, 1932.

Door' required a new definition. The new Republic was determined to adhere to all its treaty obligations, but would interpret 'the Open Door' within the limits of her [sic] sovereign rights. Cheng is . . . full of zeal for the welfare of the new nation. . . . Hitherto, he said, the term 'Open Door' connoted an obligation upon Japan to permit unrestricted trade with Manchuria. But the new régime maintained that 'the Open Door' did not prevent the State [i.e. 'Manchukuo'] giving preferential treatment to nations giving diplomatic recognition to the Changchun Government, and who were willing to enter into trade agreements. Manchukuo insisted that she retained a free hand to open her door widely and quickly to those nations which knocked and presented their credentials.

This was the aspect which the question of 'the Open Door' was to assume in the next act of the Manchurian drama. In the meantime, the British Government's negative lead in rejoinder to Mr. Stimson's first overture had been followed by at least two other signatories of the Nine-Power Treaty. On the 13th January the Government of the Netherlands informed the Government of the United States that they did not consider it necessary to send a note on the situation in Manchuria to Japan and China. The Belgian Government confined themselves, in answering Mr. Stimson on the 19th January, to the observation that they had particularly noted the passage in the Stimson Note in which the American Government stated that they had no intention of recognizing any situation created in Manchuria by methods contrary to the obligations arising out of the Pact of Paris. These two small countries might be pardoned for hesitating to rush in where the British Government feared to tread—and this hesitancy was particularly pardonable in the Dutch Government's case, since the Dutch colonial possessions which lay within the range of action of the Japanese Navy were considerably larger and more valuable than the British colonial possessions within the same radius, while the Dutch Navy would have been wholly incapable of putting up any effective defence against a Japanese attack.

The delivery of the Japanese Government's reply to Mr. Stimson's note of the 7th January, 1932, was delayed until the 16th of the month; and the document was conceived in a vein of elegant irony which came within an ace of insolence. The following passages reveal its tenor:¹

The Government of Japan were well aware that the Government of the United States could always be relied on to do everything in their power to support Japan's efforts to secure the full and complete fulfilment in every detail of the Treaties of Washington and the Kellogg

¹ The full text will be found in *Documents on International Affairs, 1932*.

Treaty for the Outlawry of War. They are glad to receive this additional assurance of the fact. . . .

They take note of the statement by the Government of the United States that the latter cannot admit the legality of matters which might impair the treaty rights of the United States or its citizens or which might be brought about by means contrary to the Treaty of the 27th August, 1928. It might be the subject of an academic doubt, whether in a given case the impropriety of means necessarily and always avoids the ends secured, but as Japan has no intention of adopting improper means, that question does not practically arise.

It may be added that the treaties which relate to China must necessarily be applied with due regard to the state of affairs from time to time prevailing in that country, and that the present unsettled and distracted state of China is not what was in the contemplation of the high contracting parties at the time of the Treaty of Washington. It was certainly not satisfactory then ; but it did not display that disunion and those antagonisms which it does to-day. This cannot affect the binding character of the stipulations of treaties ; but it may in material respects modify their application, since they must necessarily be applied with reference to the state of facts as they exist. . . .

While it need not be repeated that Japan entertains in Manchuria no territorial aims or ambitions, yet, as Your Excellency knows, the welfare and safety of Manchuria and its accessibility for general trade are matters of the deepest interest and of quite extraordinary importance to the Japanese people. That the American Government are always alive to the exigencies of Far Eastern questions has already been made evident on more than one occasion. At the present juncture, when the very existence of our national policy is involved, it is agreeable to be assured that the American Government are devoting in a friendly spirit such sedulous care to the correct appreciation of the situation.

In a leading article published in *The Times* newspaper of London on the 18th January, 1932, this Japanese note was received in a very different spirit from the tone of the comment on Mr. Stimson's note which has been quoted above from the same journal. The Japanese reply to the American Secretary of State was described in this article in this English newspaper as 'courteous in tone' and 'reassuring', and also as 'informative', on the ground that it left 'no possible doubt' (an unconscious reminiscence of a Gilbertian phrase) 'about the Japanese Government's attitude towards the international treaties invoked by the American Government and towards their application'.

Nevertheless, a doubt of at least an 'academic' kind does appear to have still lingered in the minds even of those Governments which had not seen their way to giving the American Secretary of State the support for which he had asked ; for before the end of January the twelve members of the Council of the League of Nations other than

China and Japan drafted, in private session, a declaration which referred to Mr. Stimson's note of the 7th January and stated that it would be impossible for the League to endorse a settlement secured by methods at variance with the obligations arising under the treaties referred to in the American note, or under Article 10 of the Covenant.¹ And thereafter, when the Japanese military operations at Shanghai² had supervened upon those in Manchuria, the Twelve went so far as to address to Japan (and this time to Japan alone, without the solemn farce of making an identic communication to China) a note³ containing the following passage:

The twelve members of the Council recall the terms of Article X of the Covenant, by which all members of the League have undertaken to respect and preserve the territorial integrity and existing political independence of other members. It is their friendly right to direct attention to this provision, particularly as it appears to them to follow that no infringement of the territorial integrity and no change in the political independence of any member of the League brought about in disregard of this article ought to be recognized as valid and effectual by the members of the League of Nations.

To this tentative echo of Mr. Stimson's language the Japanese Government responded, in their reply of the 23rd February, in the same style in which they had answered Mr. Stimson himself:

As Japan does not contemplate any attack on the territorial integrity or the independence of a member of the League of Nations, it is superfluous to say that the bearing of the observation that attacks of such a character made in defiance of Article X of the Covenant cannot be recognized as valid and effective is notably obscure to the Japanese Government.

The course of the warfare at Shanghai, which lasted from the 28th/29th January, 1932, to the 3rd March of the same year, has been described above, including its diplomatic repercussions,⁴ and in this place it is only necessary to touch upon these quite briefly.

In view of the sudden and serious accentuation of the Far Eastern crisis which the threat of Sino-Japanese hostilities at Shanghai portended, the United States Government had the largeness of mind to ignore considerations of 'face' and to make overtures for co-operation to the British Government once again. These fresh overtures appear to have been made as early as the 25th January, 1932, when Mr. Stimson discussed with the British Ambassador in Washington the desirability of representations being made to Japan, in regard to Shanghai, on the part of the American and British Governments.

¹ See p. 560 below.

³ See p. 490 above and pp. 565-6 below.

² See section (iii) (b) above.

⁴ See section (iii) of this part of the present volume.

Mr. Stimson's statesmanship in not standing on his dignity was justified by the event; for this time the British Government openly came into line with him;¹ and there was an interlude of Anglo-American co-operation which culminated in Mr. Thomas's dramatic gesture at Geneva on the 2nd February² and in the—unhappily abortive—proposal³ which was made on the same date to the Japanese Government by the British and American Governments with French and Italian support.

While the outbreak of hostilities at Shanghai had momentarily diverted the attention of all parties from the general problem of the Sino-Japanese conflict to this new local manifestation of it, the American note of the 7th January, 1932, was not allowed by Mr. Stimson to fade out of the public consciousness.

In China the note had been received with mixed feelings. The Chinese Government, who were naturally pleased with the note as far as it went, had made the most of it in replying on the 12th January.⁴ On the other hand, Chinese observers whose unofficial position absolved their tongues from restraint had described the document, with quaint felicity, as having 'the head of a dragon but the tail of a rat'.⁵ Mr. Stimson's next state paper, however, revealed the fact that, whatever kind of creature his new doctrine of non-recognition might prove to be, its tail was barbed with at any rate a scorpion's sting.

This next state paper took the form of a letter, dated the 23rd February, 1932, from Mr. Stimson to Senator Borah, the Chairman of the Foreign Relations Committee of the United States Senate.

In the text of this letter,⁶ the doctrine of non-recognition, which had been enunciated in the note of the 7th January, 1932, was reaffirmed in the following terms:

On the 7th January last, upon the instruction of the President, this Government formally notified Japan and China that it would not recognize any situation, treaty or agreement entered into by those Governments in violation of the covenants of these treaties, which affected the rights of our Government or its citizens in China. If a similar decision should be reached and a similar position taken by the other Governments of the world, a caveat will be placed upon such action

¹ See pp. 498–9 above.

² See p. 504 above, footnote, and pp. 563–4 below.

³ See pp. 504–5 above.

⁴ The text of this Chinese note of the 12th January, 1932, will be found in *Documents on International Affairs, 1932*.

⁵ Despatch from the correspondent of *The Manchester Guardian*, at Peking (Peiping), published on the 11th January, 1932.

⁶ The complete text will be found in *Documents on International Affairs, 1932*.

which, we believe, will effectively bar the legality hereafter of any title or right sought to be obtained by pressure or treaty violation, and which, as has been shown by history in the past, will eventually lead to the restoration to China of rights and titles of which she may have been deprived.

This passage in Mr. Stimson's letter was led up to by a masterly *exposé* of the diplomatic history of the policy and principles embodied in the Washington Nine-Power Treaty. Mr. Stimson was able to show that this history went back to the time of the Boxer Rebellion of 1899-1900 and that the policy and principles in question had been publicly endorsed by the British Government as well as by the Government of the United States. Lord Salisbury, for example, had expressed himself 'most emphatically as concurring in the policy of the United States' at the time (in 1899) when the principle of the preservation of Chinese territorial and administrative integrity had originally been laid down by the then Secretary of State at Washington, Mr. John Hay; and he was also able to cite, *à propos* of the Nine-Power Treaty itself, a statement made in the course of the Washington Conference by Lord Balfour which was as emphatic and explicit as any declaration that was made at the time by Lord Balfour's American colleague the Secretary of State of the day, Mr. Charles Evans Hughes. Mr. Stimson went on to point out in his letter that the principle established in the Nine-Power Treaty with particular reference to China had afterwards been reinforced and generalized in the Kellogg-Briand Pact. On these premisses, he laid down two propositions.

One of these propositions was that—

It is clear beyond peradventure that a situation has developed which cannot under any circumstances be reconciled with the obligations of the covenants of these two treaties, and that if the treaties had been faithfully observed such a situation could not have arisen. The signatories of the Nine-Power Treaty and of the Kellogg-Briand Pact who are not parties to that conflict are not likely to see any reason for modifying the terms of those treaties. To them the real value of the faithful performance of the treaties has been brought sharply home by the perils and losses to which their nationals have been subjected in Shanghai.

As far as this proposition went the Japanese might perhaps feel themselves able to regard the new American non-recognition doctrine with equanimity, on the ground that diplomatic non-recognition was impotent, after all, in itself to undo military *faits accomplis*, and that Japan, on Mr. Stimson's own showing, could break the treaties with impunity on her part in the assurance that they would not be broken on that account on the part of the United States. On the other

hand, the Japanese could not be insensitive to the scorpion's sting in Mr. Stimson's other proposition, which was to the following effect:

It must be remembered also that this treaty was one of several treaties and agreements entered into at the Washington Conference by the various powers concerned, all of which were interrelated and interdependent. No one of these treaties can be disregarded without disturbing the general understanding and equilibrium which were intended to be accomplished and effected by the group of agreements arrived at in their entirety. The Washington Conference was essentially a disarmament conference, aimed to promote the possibility of peace in the world not only through the cessation of competition in naval armament but also by the solution of various other disturbing problems which threatened the peace of the world, particularly in the Far East. These problems were all interrelated. The willingness of the American Government to surrender its then commanding lead in battleship construction and to leave its positions at Guam and in the Philippines without further fortification, was predicated upon, among other things, the self-denying covenants contained in the Nine-Power Treaty, which assured the nations of the world not only of equal opportunity for their Eastern trade, but also against the military aggrandisement of any other power at the expense of China. One cannot discuss the possibility of modifying or abrogating those provisions of the Nine-Power Treaty without considering at the same time the other premisses upon which they were really dependent.

The gist of this proposition was that the set of treaties which had been concluded at Washington in 1921-2 constituted a coherent and interdependent and indivisible whole in which all the parts stood or fell together—with the consequence that, if any one of the contracting parties picked to pieces any one of the instruments in question, it could not perpetrate this act of sabotage and sacrilege without unravelling the entire nexus of treaties, including those instruments which were of value to itself. In concrete terms, if Japan tore up the Nine-Power Treaty which was intended to assure China of her integrity and to assure the other seven contracting parties of the preservation of the Far Eastern Balance of Power as it had stood at the time when the Washington Treaties were negotiated, then Japan would be tearing up, in the same act, the Four-Power Treaty and the Five-Power Treaty concerning the Balance of Power in the whole area of the Pacific: that is to say, the two instruments which were the source of Japan's momentary power to violate her own treaty obligations by using naval and military force against the integrity of China without herself being exposed to any danger of naval or military coercion on the part of other Powers.¹

¹ This highly advantageous position was secured to Japan by the combination of the Four-Power Treaty, taken as a whole, with Article XIX of the Five-

The more closely the second of Mr. Stimson's propositions, here quoted, is studied the more formidable will it be found to be.

The Japanese Government showed their sensitiveness to this sting in Mr. Stimson's letter of the 23rd February in the official comments upon it that were made in Tokyo on the 25th. 'The Foreign Office Spokesman' in the Japanese capital 'declared that Mr. Stimson was under a misapprehension if he considered that a bargain had been struck at the Washington Arms Conference between the Nine-Power Treaty and the naval agreements. He said the naval agreements and the agreement not to fortify Guam were not reached by a process of barter regarding Chinese questions but were concluded before the Chinese questions were taken up.'¹ A high official in the Japanese Foreign Office was reported to have gone so far as to declare that Mr. Stimson had displayed 'ignorance of the history of the Washington Conference';² and on the same day 'the Naval Spokesman' at Tokyo 'said it would be extremely serious for Japan if Mr. Stimson's note [i.e. letter] could be interpreted as implying that the United States had resumed its right to fortify Guam', but that 'the Japanese Navy could not believe that Mr. Stimson intended to convey such a threat'.³

Thus, in Japanese minds and hearts, the sting went home; and the question now presented itself whether the ultimate outcome of the Far Eastern crisis would really be a liquidation of the whole settlement that had been achieved at Washington, and a resumption of naval competition in the Pacific between the principal naval Powers of the World, or whether this international calamity would be averted—in accordance with the hope which Mr. Stimson himself had expressed—by a practical proof of the efficacy of a refusal to accord recognition to illegal acts of violence. Mr. Stimson had expressed the hope that the working of this principle would 'eventually lead to the restoration to China of rights and titles of which she' might 'have been deprived'; but this optimism on the part of the American Secretary of State in regard to the stand which had been taken by the United States Government in the note of the 7th January, 1932, had been conditional upon one postulate: namely, 'if a similar decision should be reached and a similar position taken by the other Governments of the world.'

Power Treaty, which provided for the preservation of the *status quo* with regard to fortifications and naval bases within a region so defined as to keep the British and American Navies at arm's length from Japan, while leaving the Philippines and Hongkong at the Japanese Navy's mercy. (See the *Survey for 1920-3*, pp. 489-90.)

¹ *The New York Times*, 26th February, 1932.

² *The New York Times*, *loc. cit.*

³ *The New York Times*, *loc. cit.*

On the 23rd February, as on the 7th January, 1932, the Government from which Mr. Stimson was most eager to receive frank support in the application of the non-recognition policy was the Government of the United Kingdom.¹ In this desire, however, the Government of the United States were disappointed once again. The Government at Westminster made no sign on the 24th February, when Mr. Stimson's letter was published; and on the 2nd March, 1932,² in the House of Commons at Westminster, when the Under-Secretary of State for Foreign Affairs, Mr. Eden, was asked whether Honourable Members were to understand that the Government approved of the principles laid down in Mr. Stimson's letter, the British Government's parliamentary spokesman replied:

I think the Right Honourable Gentleman will be on safer ground if he assumes that we approve the statement to which we set our name with the other members of the Council [of the League of Nations].³

In reply to a further question on the same occasion from the same questioner, Mr. Eden added that no further action was contemplated for the time being by His Britannic Majesty's Government at Westminster.

Thus the Government of the United Kingdom persisted in their policy of non-co-operation with the United States on the large question of principle, in so far as their own individual action or inaction was at issue. At the same time, the British Government were engaged in co-operative proceedings, *à propos* of the Far Eastern crisis, in the international forum of the League of Nations; and in this forum the remission of the problem by the Council of the League

¹ If evidence for this statement is required, it will be found, in clear and emphatic terms, in the two relevant despatches from the Washington Correspondent of *The Times*: i.e. the despatch of the 8th January, 1932, which was published on the 9th; and the despatch of the 25th February which was published on the 26th. The evidence of these two despatches is particularly convincing because the editorial policy of *The Times*, as determined in Printing House Square and executed in the editorial columns, was in diametrical opposition to the American desires of which the Washington correspondent's despatches conveyed information, so that there can be no suspicion that the sense of these despatches may have been coloured with an eye to making the news agreeable to those quarters in London to which the despatches were addressed. In Mr. Stimson's letter of the 24th February, 1932, there is also internal evidence to the same effect in the prominence that is given to the citations from Lord Salisbury and Lord Balfour.

² This was just a month after the date on which the language of Anglo-American co-operation had been spoken by Sir John Simon in the House of Commons at Westminster and by Mr. J. H. Thomas in the Council Room of the League of Nations at Geneva. (See p. 504 above, footnote, and pp. 563-4 below.)

³ For this statement—i.e. the note of the 16th February, 1932—see p. 547 above, and pp. 565-6 below.

to the Assembly on the 19th February enabled the small states members—whose attitude, as has been explained above,¹ resembled that of the United States—to make their voices heard more effectively than theretofore.² The sense of the peoples and the Governments of the small countries was strongly in favour of giving the Government of the United States all possible support in their Far Eastern policy; and, on this occasion, the opinions and feelings of the majority prevailed in some degree over the policies and calculations of the United Kingdom, Germany and France. Indeed, in this session of the Assembly, the atmosphere induced by the temper of the majority was sufficiently electric to convince the principal British delegate of the advisability of providing a lightning-conductor; and accordingly, on the 7th March,³ the Assembly (like the Council in February) heard a British proposal for a collective endorsement of the American policy which the Government of the United Kingdom had refrained from endorsing individually on their own part hitherto. Sir John Simon's move on this occasion was supported by his French, German and Italian colleagues. And thus all the four European Powers were implicated in the resolution which was voted by the Assembly on the 11th March, 1932, and which contained the following passage:

The Assembly . . . declares that it is incumbent upon the members of the League of Nations not to recognize any situation, treaty, or agreement which may be brought about by means contrary to the Covenant of the League of Nations or to the Pact of Paris.

In this passage the American policy of non-recognition was endorsed by the League of Nations in terms that were unmistakably explicit; and on the 12th March Mr. Stimson expressed his gratification in the following statement:

The nations of the League at Geneva have united in a common attitude and purpose towards the perilous disturbances in the Far East. The action of the Assembly expresses the purpose for peace which is found both in the Pact of Paris and the Covenant of the League of Nations. In this expression all the nations of the world can speak with the same voice. This action will go far toward developing into terms of international law the principles of order and justice which underlie those treaties, and the Government of the United States has been glad to co-operate earnestly in this effort.

The Japanese, on their part, were not slow in putting Mr. Stimson's doctrine and the Assembly's resolution to the test; for on the 12th March, 1932, 'the Minister for Foreign Affairs of Manchukuo' addressed a communication⁴ to the Governments of seventeen

¹ See p. 517 above.

² See pp. 575–7 below.

³ See pp. 577–8 below.

⁴ Text in *Proclamations, &c.* (cited in footnote 5 on p. 456 above), pp. 7–8.

countries which had consular officials in Manchuria, and also to the Governments of thirty-five other countries. In this communication, the first and last paragraphs ran as follows:

I have the honour of informing you that the Provinces of Fengtien, Kirin, Heilungkiang and Jehol, the Tungsheng Special District and Mongolian Mengs (Leagues) under several Banners have united themselves to establish an independent Government severing their relations with the Republic of China and have created 'Manchukuo', the State of Manchuria, on March 1st, 1932. . . .

It is the earnest desire of this Government that your Government will fully understand the purport of the establishment of the State of Manchuria hereinbefore stated and that formal diplomatic relations be established between your Government and the State of Manchuria.

The Japanese can scarcely have expected that this communication would elicit, from the Governments addressed, the recognition of 'Manchukuo' which was solicited; and it may therefore be presumed that they were neither surprised nor disappointed by the outcome, which was uniformly negative. In the House of Commons at Westminster, on the 14th March, 1932, Sir John Simon stated, in answer to a parliamentary question, that, on the information at the disposal of the Government at Westminster, any recognition of 'Manchukuo' would be premature. On the 22nd March, it was reported that France (like Japan up to that date)¹ had merely acknowledged unofficially the receipt of the communication from 'Manchukuo', without making any reference to the request for recognition which the communication had conveyed. A somewhat more difficult problem was presented to the U.S.S.R. by the destruction of Chang Hsüeh-liang's Government in 'the Three Eastern Provinces' of China and the erection of the puppet 'Manchukuo' in its place, because the vast length of the common frontier between this portion of China and the territories of the Soviet Union made relations of some sort with whatever Power ruled *de facto* in this Chinese territory unavoidable for the Russian authorities. Accordingly, the Soviet Government were virtually bound to take practical cognizance of the Japanese military occupation of Manchuria behind the 'Manchukuo' façade; and on the 14th June, 1932, it was reported from Changchun that the Soviet Government were ceasing to recognize the Consuls who had been appointed at Chita, Blagovieschensk, Khabarovsk and Vladivostok by the late Government at Mukden, and were arranging for the appointment, in their stead, of nominees of the new Government at Changchun. Soviet officials were reported, however, to have stated at the same time that this step did not involve a recognition of 'Manchukuo', but

¹ See p. 461 above.

was merely a convenience in dealing with a situation of fact in a country adjoining the U.S.S.R. In the event, the Soviet Government at Moscow, so far from giving recognition to the fictitious Manchurian Government at Changchun, re-entered into diplomatic relations with the Central Government of the Chinese Republic at Nanking before the end of the calendar year.¹

Mr. Stimson's open letter of the 23rd February, 1932, to Senator Borah was not the last opportunity that was taken in the course of this year by the American Secretary of State to indicate in public the opinion of the United States Government that the action of Japan in Manchuria was a breach of treaty and the determination of the United States Government not to recognize any changes which might be brought about in breach of treaty and by violent means.

For example, in the address which he delivered on the 8th August, 1932, in New York, to the Council on Foreign Relations on the general theme of the collective international interest in the maintenance of the world's peace, and the duties and rights of each and every nation in this matter,² Mr. Stimson illustrated the general from the particular in the following passage:

In September, 1931, hostilities broke out between the armed forces of Japan and China in the same quarter of the world, Manchuria, and the situation was brought to the attention of the Council of the League of Nations, which happened to be then in session at Geneva. Our Government was invited to confer as to the bearing of the Pact of Paris upon the controversy. We promptly accepted the invitation, designating a representative to meet with the Council for that purpose; and the attention of the two disputants was called to their obligations under the Pact by France, Great Britain, Germany, Italy, Spain, Norway and the United States—those nations, other than the United States, being members of the Council then in session.

The hostilities between Japanese and Chinese armed forces continued, and protracted efforts towards conciliation were made by the Council of the League, which had taken jurisdiction of the matter. The American Government maintained its attitude of sympathetic co-operation with the efforts of the Council and, acting independently through the diplomatic channels, endeavoured to reinforce the Council's efforts at conciliation. Finally, when in spite of these efforts Japan had occupied all of Manchuria, the American Government formally notified both that country and China, on the 7th January, 1932, that it would not recognize any situation, treaty or agreement which might be brought about by means contrary to the covenant and obligations of the Pact of Paris.

¹ For this important event in the diplomatic history of the Far East in 1932, see pp. 535-6 above.

² The general theme of Mr. Stimson's address on this occasion is dealt with in the present volume on pp. 271-3. The text of his speech will be found in *Documents on International Affairs, 1932*.

Subsequently, on the 11th March, this action of the American Government was endorsed by the Assembly of the League of Nations, at a meeting in which fifty nations were represented. On that occasion, under circumstances of the utmost formality and solemnity, a resolution was adopted unanimously, Japan alone refraining from voting, in which the Assembly declared that, 'it is incumbent upon the members of the League of Nations not to recognize any situation, treaty or agreement which may be brought about by means contrary to the Covenant of the League of Nations or to the Pact of Paris'.

These successive steps cannot be adequately appraised unless they are measured in the light of the vital change of point of view which I have described in the opening of this address. They were the acts of nations which were bound together by a new viewpoint towards war, as well as by covenants which made that viewpoint a reality. Except for this new viewpoint and these new covenants, these transactions in far-off Manchuria, under the rules of international law theretofore obtaining, might not have been deemed the concern of the United States and these fifty other nations. Under the former concepts of international law, when a conflict occurred it was usually deemed the concern only of the parties to the conflict. The others could only exercise and express a strict neutrality alike towards the injured and the aggressor. If they took any action or even expressed an opinion, it was likely to be deemed a hostile act towards the nation against which it was directed. The direct individual interest which every nation has in preventing a war had not yet been fully realized, nor had that interest been given legal recognition. But now under the covenants of the Briand-Kellogg Pact such a conflict becomes of legal concern to everybody connected with the Treaty. All of the steps taken to enforce the treaty must be judged by this new situation. As was said by M. Briand, quoting the words of President Coolidge: 'An act of war in any part of the world is an act that injures the interests of my country.' The world has learned that great lesson, and the execution of the Briand-Kellogg Treaty codified it.

Thus the power of the Briand-Kellogg Treaty cannot be adequately appraised unless it is assumed that behind it rests the combined weight of the opinion of the entire world united by a deliberate covenant which gives to each nation the right to express its moral judgment. When the American Government took the responsibility of sending its note of the 7th January last, it was a pioneer. It was appealing to a new common sentiment and to the provisions of a Treaty as yet untested. Its own refusal to recognize the fruits of aggression might be of comparatively little moment to an aggressor. But when the entire group of civilized nations took their stand beside the position of the American Government, the situation was revealed in its true sense. Moral disapproval, when it becomes the disapproval of the whole world, takes on a significance hitherto unknown in international law. For never before has international opinion been so organized and mobilized.

When this passage was called in question by the Japanese Ambassador at Washington in a conversation which he had with Mr. Stimson on the 10th August, 1932, the Secretary of State took occasion to

impress upon him the opinion and the policy of the United States Government once again.

Thereafter, on the 1st October, 1932, Mr. Stimson expressed himself in another public speech¹ to the following effect:

The present crisis in Manchuria is not only a blow to the commercial interests of the United States, but a threat to the authority of the great peace treaties which were conceived after the War by the nations of the world in a supreme effort to prevent the recurrence of such a disaster. Across the Pacific lie the great potential markets of the Orient. Our commerce in that quarter has been expanding more rapidly in recent years than in any other portion. During the centuries to come these opposite shores of this great ocean will have the most important relations, and the character of these relations will have a commanding influence upon the welfare of the world. It is vitally important, therefore, that these relations should be based upon enduring foundations of justice and peace. For over thirty years our Government has sponsored a policy of the open door in China, which rests upon the two principles of equality of opportunity among all nations dealing with China, and, as necessary to that equality, the preservation of China's territorial and administrative integrity. This policy is crystallized in the Nine-Power Treaty.

Between the publication of his letter to Senator Borah and the delivery of the two addresses from which the last two quotations have been taken, the American Secretary of State had visited Europe (landing at Havre on the 15th April and sailing from Golfe Juan on the 4th May) and had studied at first hand the respective attitudes of the various European Governments towards the Far Eastern crisis. According to a credible report,² this personal reconnaissance had confirmed Mr. Stimson in the view which he had held when he sent his note to Japan on the 7th January of this year. In his opinion, now as then, the key to the diplomatic situation was the attitude of the Government of the United Kingdom. If the British Government chose to co-operate frankly with the United States on the one hand and with the small states members of the League of Nations on the other hand in carrying the policy of non-recognition through, then Japan would be confronted by an expression of world opinion to which she would ultimately have to defer: partly because of the number and importance of the nations represented in such a combination and partly because, with London acting as a *trait d'union* between Washington and Geneva, the opinion of all these nations would be

¹ A speech addressed by Mr. Stimson to the Union League Club, as reported in *The Manchester Guardian* on the 3rd October, 1932.

² See a telegram of the 16th September, 1932, from the Washington correspondent of *The Times* which was published on the 17th September. Testimony in this sense must carry weight when it comes from this source and is published in this quarter.

co-ordinated and mobilized in an effective form for translation into action. On the other hand, so long as the Government at Westminster allowed it to be apparent to the Japanese that the United Kingdom, as well as France, would continue to treat the military action of Japan on Chinese soil with indulgence, while maintaining an apparently equivocal attitude towards the diplomatic efforts of the small countries and of the United States to uphold the collective system of security and peace, for just so long would the Japanese Government feel themselves able with impunity to break their own treaty obligations in defiance of the opinion of the rest of Mankind. Throughout the year 1932 British policy was the decisive diplomatic factor in the situation arising from the Sino-Japanese conflict; and throughout the year, as will have become apparent from the foregoing survey, this policy was conducted on the second and not on the first of the two alternative lines.

The inclination of British policy in this direction was a fact of far-reaching importance. It not only governed the course of Far Eastern affairs during the year 1932. It promised to have an even wider and deeper effect in years to come upon the general relations between the United Kingdom and the United States. The probable nature of this effect was already foreshadowed, in December 1932, in the psychological connexion that could be detected between the latest chapter in the history of Anglo-American relations over the Far East and the new chapter, which opened in that month, in the relations between the two countries over Inter-Ally Debts.¹

(c) THE ACTION OF THE LEAGUE OF NATIONS

(1) *The Sixty-Sixth Session of the Council (25th January–29th February, 1932)*

The Council of the League of Nations assembled for its sixty-sixth session on the 25th January, 1932, and, at the request of the Chinese delegate, resumed its discussion of the Sino-Japanese dispute. In the interval which had elapsed since the 10th December, 1931, the date on which the sixty-fifth session of the Council had closed with the adoption of a unanimous resolution,² the members of the Commission of Inquiry which the Council had decided, by that resolution, to appoint had been nominated, had held a preliminary meeting at Geneva, and had elected the British member, Lord Lytton, as their chairman. The Commission, however, had not yet started for the

¹ For the history of Inter-Ally Debts in 1932, see the present volume Part II, section (i).

² See the *Survey for 1931*, pp. 501–5.

scene of its labours, where, in the meantime, the Japanese had been proceeding with the execution of their programme, in complete disregard of the other provisions of the Council's resolution of the 10th December, 1931.¹ The interval between the 10th December, 1931, and the 25th January, 1932, had also been marked by increasing tension between the Chinese and Japanese at Shanghai; and four days before the Council met at Geneva the Commander of the Japanese naval forces at Shanghai had announced his intention of taking 'direct action' of some kind if the Chinese authorities did not fulfil five demands which had been presented to them by the Japanese Consul-General on the previous day.² Thus the Council assembled under the shadow of the cloud which was destined to burst at Shanghai during the night of the 28th/29th January.

The Council recognized that the situation at Shanghai was extremely menacing; and its President, Monsieur Paul-Boncour, appealed to the Chinese and Japanese Governments 'to take all the necessary measures to prevent Shanghai from becoming a new centre of trouble'. This appeal was made after the Council had heard the Japanese and the Chinese versions of recent developments. Mr. Sato, who had taken Mr. Yoshizawa's place at Geneva,³ defended the Japanese occupation of Chinchow and dealt at some length with the situation at Shanghai. Dr. W. W. Yen, who had succeeded Mr. Sze as leader of the Chinese delegation, entered a vigorous protest against the Japanese Government's defiance of the Council's previous recommendations, and also against the delay in the departure of the Lytton Commission of Enquiry. He declared that the methods of conciliation which the Council had adopted in accordance with Article 11 of the Covenant had failed completely, and he indicated that his Government contemplated altering the basis of their appeal to the League. 'The necessity for proceeding to the exhaustion of all rights and remedies available to China under other articles of the Covenant' was, he said, becoming 'daily more pressing'.

The Council considered that their resolution of the 10th December, 1931, made it unnecessary for them to pass a fresh resolution pending receipt of the Lytton Commission's report, so long as no new facts were brought to their notice. During the next few days, however,

¹ For the course of events in Manchuria down to the Japanese occupation of Chinchow on the 3rd January, 1932, see the *Survey for 1931*, Part IV, section (iii) (b) (2). For the developments after that date, see section (ii) of this part of the present volume.

² See section (iii) (a) of this part of the present volume.

³ Mr. Yoshizawa had been appointed Minister for Foreign Affairs in the new Japanese Cabinet which took office in December 1931.

the members of the Council, other than the representatives of China and Japan, held a number of private meetings and drew up a long declaration on the Sino-Japanese dispute. The concluding paragraphs of this declaration referred to the note which had been addressed to the Governments of China and Japan by the Government of the United States on the 7th January¹ and stated that it would be impossible for the League to endorse a settlement secured by methods at variance with the obligations arising under the treaties referred to in the American note, or under Article 10 of the Covenant. The members of the Council hoped that this declaration 'would put an end, for this session, at any rate, to the difficulty engaging' their 'attention';² but their hope was doomed to disappointment by the march of events at Shanghai. On the 29th January, when Japanese aeroplanes were bombing the Chinese quarters of that city, the Chinese Government took the step which had been indicated by Dr. Yen four days earlier.³ In view of the fact that the Sino-Japanese dispute had not 'been submitted to arbitration or to judicial settlement in accordance with any of the articles of the Covenant', and that the dispute had 'now reached a stage when it' was 'likely to lead to an immediate rupture between China and Japan', the Chinese Government invoked 'the application (not in derogation of the measures taken, or which may be taken, by the League in the exercise of its functions under Article 11, but in addition thereto) both of Article 10 and Article 15 of the Covenant to the said dispute, and formally' submitted 'the said matter to the Council for all appropriate and necessary measures under both of the said articles'.

In supporting his Government's application at the meeting of the Council on the 29th January, Dr. Yen laid special stress on the obligation which was imposed upon members of the League by Article 10 of the Covenant.⁴ He submitted that 'the territorial and administrative integrity of the Republic of China' had 'been largely destroyed, and its political independence gravely threatened, by external aggres-

¹ See pp. 540-1 above.

² Monsieur Paul-Boncour at the Council meeting on the 29th January.

³ Dr. Yen told the Council on the 30th January that the Chinese Government would have invoked Article 15 of the Covenant even if the Shanghai incidents had not occurred, and that the communication which had been submitted to the Council on the previous day had been drafted before the Chinese Government had received news of the fighting at Shanghai.

⁴ 'The Members of the League undertake to respect and preserve as against external aggression the territorial integrity and existing political independence of all members of the League. In case of any such aggression or in case of any threat or danger of such aggression, the Council shall advise upon the means by which this obligation shall be fulfilled.'

sion', and that it only remained for the Council 'to advise upon the means' by which the obligation specified in Article 10 of the Covenant was to be fulfilled. By invoking Articles 10 and 15 of the Covenant, the Chinese Government were taking 'affirmative steps to strengthen the hands of the League' in dealing with the dispute.

The most important respect in which the invocation of Articles 10 and 15 of the Covenant might be expected to 'strengthen the hands of the League' arose out of paragraphs 3 and 4 of Article 15, which provided that the Council should 'endeavour to effect a settlement of' a dispute referred to it under that article, but that, if its efforts were not successful, it should 'either unanimously or by a majority vote . . . make and publish a report containing a statement of the facts of the dispute and the recommendations which are deemed just and proper in regard thereto'. In the earlier discussions of the Sino-Japanese dispute by the Council, Japan had taken full advantage of the fact that any decisions of the Council in regard to a dispute which had been submitted to it under Article 11 of the Covenant must be unanimous.¹ It was only to be expected, therefore, that Japan would oppose a change in the basis of the Chinese appeal which would mean that the Council, in drawing up its recommendations, would no longer be obliged to reckon with a power of veto on Japan's part.

Mr. Sato, on the 29th January, followed the precedent which had been set by Mr. Yoshizawa and raised technical objections to the invocation of Article 15 of the Covenant. He expressed doubts as to whether a dispute could be dealt with at the same time under Articles 11 and 15 of the Covenant, and whether this particular dispute was in fact of such a nature as to justify an appeal under Article 15—that is, whether it had 'already reached a stage which' might 'lead to an imminent severance of relations' between China and Japan. He declared that, in his opinion, Article 15 constituted 'the final means of redress between members of the League', and that, before having recourse to that procedure, China should have exhausted all the other available means of settlement, and in particular should have had 'recourse to direct negotiations' with the Japanese Government. Monsieur Paul-Boncour, as President of the Council, disposed of Mr. Sato's objections by referring to previous Council rulings to the effect that the initiation of procedure under Article 15 did not prevent the Council from continuing to take measures in accordance with Article 11, and by pointing out that the Council was not responsible for deciding whether a Member of the League which appealed under Article 15 of the Covenant was or was not justified in thinking that

¹ See the *Survey for 1931*, Part II, section (iii) (b) (4).

the dispute in question was 'likely to lead to a rupture'. The onus of that decision rested on the Government which made the appeal; and, once the appeal had been lodged, the provisions of Article 15 came automatically into force. Monsieur Paul-Boncour's views were supported by other members of the Council who took part in the debate on the following day (the 30th January); but Mr. Sato declared himself unconvinced, and warned the Council that 'a very bad impression' would be created in Japan when it became known that the Council had 'adopted so hasty a decision on a question of very great importance without even taking the trouble to consider the arguments which the Japanese representative submitted to it'.

It fell to the Secretary-General of the League and not to the Council to take the first step in the procedure which was laid down in Article 15 of the Covenant. Paragraph 1 of that Article stipulated that a party to a dispute might submit that dispute to the Council by giving notice of its existence to the Secretary-General, who would thereupon 'make all necessary arrangements for a full investigation and consideration thereof'. The widely different accounts of events at Shanghai which were given to the Council by Dr. Yen and Mr. Sato on the 29th January showed how necessary it was that the Council should be supplied with information from an impartial source; and the Council at once endorsed the proposal which Sir Eric Drummond made on the 30th January, in execution of the duty imposed upon him by Article 15 of the Covenant. His proposal was that the Governments represented on the Council, other than the parties to the dispute, which had official representatives at Shanghai should instruct those officers to form a committee which would report to the Council on the incidents which had taken place, their causes and development. The representatives of France, Italy, Great Britain, Germany, Spain and Norway at once accepted the Secretary-General's suggestion on behalf of their Governments. The appointment of a commission at Shanghai was welcomed by Dr. Yen, who took occasion to point out, however, that if Shanghai was 'important to China—very important—Manchuria' was 'still more important'. The situation in Manchuria was, he declared, 'much graver' than that at Shanghai, since in Manchuria '200,000 square miles of Chinese territory and 30,000,000 Chinese people' were involved. As for Mr. Sato, he assured the Council that his Government were 'willing to afford' the Council 'every assistance at Shanghai'.

A Committee of Enquiry, consisting of the Consular representatives of the six Powers mentioned above, was immediately constituted at Shanghai, and the Government of the United States, at the request

of the Secretary-General, authorized their Consul-General to co-operate in the work of the committee. The Consular Committee despatched its first report to Geneva on the 6th February, its second on the 12th February, its third on the 20th February, and its fourth on the 15th March.¹

During the month of February, 1932, the Council devoted four public meetings to the consideration of the Sino-Japanese dispute, and the Committee of Twelve (that is, all the members of the Council except China and Japan) met from time to time in private in order to discuss what measures, if any, they could take to facilitate a settlement. The first of the public meetings was held on the 2nd February, at the request of the British representative. The 2nd February was the day which had been fixed for the opening session of the World Disarmament Conference at Geneva,² and the assembly of that Conference was postponed for an hour in order not to clash with the meeting of the Council. In this way the intimate connexion between the situation in the Far East and the problems which were before the Disarmament Conference received dramatic recognition.

The Council meeting of the 2nd February was chiefly remarkable for the unexpectedly vigorous statement which was made by Mr. J. H. Thomas on behalf of the British Government. His Majesty's Government in the United Kingdom, said Mr. Thomas, felt it 'to be impossible that the present situation in the Far East should be allowed to continue. Every day' brought 'news of some fresh incident of the utmost gravity. Fighting over a wide area' was 'practically continuous. Shanghai' was 'the scene of a series of conflicts in which rifles and machine-guns, artillery and aeroplanes' were 'taking part. War in everything but name' was 'in progress'. If this state of things were allowed to go on, 'the Covenant, the Pact of Paris and the Nine-Power Treaty must inevitably lose the confidence of the world'.

Mr. Thomas reminded the Council that the Government of the United States took 'entirely the same view of the situation', and he referred to the efforts which were being made, in concert with the Government of the United States, to 'bring the present lamentable state of things to an end'. He read a statement, which was communicated to the House of Commons at Westminster by Sir John Simon during the same afternoon, in regard to the truce which had been arranged by the American and British Consuls-General at Shanghai on the 29th January³ and in regard to the negotiations which had

¹ See section (iii) of this part of the present volume.

² See the present volume, Part III, section (ii).

³ See p. 483 above. When Mr. Thomas made his speech at 2.30 p.m. on the

been going on for the establishment of a neutral zone between the combatants.¹ He also informed the Council that the British and American Governments had presented formal proposals at Tokyo and at Nanking for the immediate cessation of hostilities at Shanghai and for the opening of negotiations to settle all the outstanding differences between China and Japan.² Mr. Thomas added that in bringing their action to the notice of the Council his Government were satisfied that they would receive the approval and support of their colleagues. Thereupon the representatives of France and Italy hastened to assure the Council that their Governments had already taken action similar to that indicated by the British representative.³ Mr. Thomas had thus attained the object which he had in view when he requested that a meeting of the Council should be held—that is, he had associated the Council with the steps which his Government had taken.

Unfortunately the efforts of the 'neutral' Shanghai Powers to bring about a settlement proved unavailing. The Japanese Government rejected both the Consuls' suggestion for a neutral zone and the Anglo-American proposals;⁴ and when the Council met again, at the request of the Chinese representative, on the 9th February, the situation at Shanghai was still going from bad to worse. The Council now had at its disposal the first report of the Consular Committee at Shanghai, and it also heard statements from the Chinese and the Japanese representatives in regard to recent developments. Dr. Yen referred to the extension of Japanese operations in Manchuria⁵ as well as at Shanghai, and expressed the opinion that the position was intolerable, not only for China but also for the League and for the Powers, whose proposals had been 'rejected by Japan in their very essence'. The Council, however, was assured by Mr. Sato that his Government were anxious to terminate hostilities at Shanghai as quickly as possible, and that the negotiations for the establishment of a neutral zone were still continuing. The British representative, Sir John Simon, supplied additional information in regard to the attempts at mediation which were in progress at Shanghai; and the

2nd February the truce had already been broken at Shanghai. Fighting reopened at about 3 p.m. on the 2nd February—that is at about 8 a.m. by Geneva time.

¹ See pp. 503–4 above.

² See p. 505 above.

³ The representative of Germany indicated that his Government, also, would give 'appropriate instructions' to their representatives in Tokyo and Nanking; but Germany does not in fact appear to have associated herself with the diplomatic *démarches* made by the United States, Great Britain, France and Italy at this time (see pp. 504–5 above). The general attitude of Germany towards the Far Eastern crisis is discussed on pp. 518–19 above.

⁴ See pp. 503–6 above.

⁵ See section (ii) (a) above.

Council, on the strength of these assurances, concluded that a detailed discussion of the situation would be inexpedient, pending the receipt of a further report from the Consular Committee. It was after this inconclusive meeting of the Council that the Chinese Government decided to ask for the immediate convening of a special session of the League Assembly to consider the Sino-Japanese conflict.¹

On the 16th February, the Committee of Twelve of the Council met in private to consider the second report of the Consular Committee at Shanghai, and came to the conclusion that the situation was such as to call for the despatch of a special appeal to Japan. This was the first occasion on which the members of the Council had addressed themselves to one of the parties to the dispute without addressing the other simultaneously, and the fact that they should have decided to take this step was even more significant than the terms of the note² which was duly dispatched by Monsieur Paul-Boncour, as President of the Council, on the evening of the 16th February. The twelve members of the Council made a 'pressing appeal to the Government of Japan to recognize the very special responsibilities for forbearance and restraint which devolve upon it in the present conflict, in virtue of the position of Japan as a member of the League of Nations and a permanent member of its Council'. They referred to the events which had occurred, and were still occurring, at Shanghai, which had 'intensified public anxiety', endangered 'the lives and interests of the nationals of numerous countries', added 'to the unexampled difficulties with which the whole world' was 'faced during the present crisis', and threatened 'to throw new and serious obstacles in the path of the Disarmament Conference'. While they were 'far from disregarding the grievances advanced by Japan', they could not but regret that she had 'not found it possible to make full use of the methods of peaceful settlement provided in the Covenant'; and they pointed out that, 'from the beginning of the conflict', China had 'put her case in the hands of the League and had agreed to accept its proposals for a peaceful settlement'. The note continued as follows:

The twelve members of the Council recall the terms of Article 10 of the Covenant, by which all the members of the League have undertaken to respect and preserve the territorial integrity and existing political independence of all other Members. It is their friendly right to direct attention to this provision, particularly as it appears to them to follow that no infringement of the territorial integrity and no change in the political independence of any Member of the League brought about in

¹ See section (iv) (c) (2) below.

² The full text is printed in *Documents on International Affairs, 1932*.

disregard of this article ought to be recognized as valid and effectual by the Members of the League of Nations.

Japan has an incalculable responsibility before the public opinion of the world to be just and restrained in her relations with China. She has already acknowledged this responsibility in most solemn terms by becoming one of the signatories of the Nine-Power Treaty of 1922, whereby the contracting Powers expressly agreed to respect the sovereignty, the independence and the territorial and administrative integrity of China. The twelve members of the Council appeal to Japan's high sense of honour to recognize the obligations of her special position and of the confidence which the nations have placed in her as a partner in the organization and maintenance of peace.

This appeal by the Committee of Twelve was answered by the Japanese Foreign Minister, Mr. Yoshizawa, on the 23rd February, in a note¹ which politely deprecated 'the growth of the practice of substituting, for discussions by the Council of the League, discussions by a select committee of whatever composition'. 'As a matter of courtesy', however, Mr. Yoshizawa responded to the 'individual desires' of the twelve members of the Council by forwarding for their consideration a detailed statement of his Government's views on the issues raised in the note of the 16th February. The substance of this statement was set out as follows in the concluding paragraph:

It has been shown that the Powers, in appealing to Japan, are forcing an open door, and that it is the aggressive Chinese forces to whom the appeal should be addressed. It has been suggested that, to be really useful and practical, the appeal should comprise some specific plan, such as the creation of a 'safety zone'. The charge has been rebutted that Japan is less disposed than China to settle matters by peaceful means. Lastly, it has been shown that China cannot be dealt with on any other footing than that of fact and reality, and that the fact is that China does not constitute an 'organized people'. It remains for the Japanese Government to repeat their deep sense of the high purpose and philanthropic energy which have actuated the Powers in taking this unusual step.

Before this reply had been despatched from Tokyo, the Japanese forces at Shanghai had launched a 'major offensive' against the Chinese forces in consequence of the Chinese rejection of a Japanese ultimatum which had demanded the unconditional withdrawal of the Chinese Army from the neighbourhood of Shanghai. This ultimatum had been presented at 9 p.m. on the 18th February—after a Sino-Japanese meeting, which had been arranged through the good offices of the neutral diplomatic representatives, had failed to produce a settlement—and it expired at 7 a.m. on the 20th February.²

At 5.30 p.m. on the 19th February, the Council held another public

¹ The text will be found in *op. cit.*

² See pp. 490–2 above.

meeting, at the request of Dr. Yen, who had received information on the previous day of the break-down of the Sino-Japanese negotiations. The members of the Council listened to an impassioned plea from Dr. Yen that they should take 'conservatory measures' which might avert, even at this eleventh hour,¹ the threatened battle at Shanghai. They also heard a long restatement by Mr. Sato of the claim that all Japan's actions, in Manchuria and at Shanghai, were dictated solely by the necessity of self-defence. Mr. Sato declared that his Government had no intention of infringing the principles of Article 10 of the Covenant; whereupon Monsieur Paul-Boncour, from the chair, asked the Japanese representative, 'with sincerity and emotion', whether there was not 'an appalling inconsistency' between the declared 'freedom from territorial interests' of Japan 'and the fact that a battle is about to be joined and that the field will be strewn with dead. . . . If the ultimatum could be extended long enough to allow the negotiations to be reopened, and if the desire . . . of the Council . . . could help to bring about their immediate resumption, thanks to the prolongation of the ultimatum, we could, I think, go to sleep with lighter hearts to-night.' All the other members of the Council associated themselves with the President's appeal for the postponement of the Japanese offensive, and Mr. Sato undertook to acquaint his Government with the views which had been expressed. This discussion at Geneva, however, exercised no influence upon the course of events at Shanghai, where the Japanese offensive opened at the appointed hour on the morning of the 20th February.

Before the members of the Council dispersed on the evening of the 19th February, they adopted a resolution referring the Sino-Japanese dispute to the Assembly of the League of Nations and convening the Assembly for the 3rd March.² Before the Sino-Japanese dispute

¹ Since the Council had met at 5.30 p.m. on the 19th February by Geneva time, the discussion was taking place during the early hours of the 20th by Shanghai time, so that, as Dr. Yen pointed out, there remained only four or five hours before the Japanese ultimatum was due to expire. It seems highly improbable that any appeal from Geneva, however it was transmitted, could have reached the scene of action, via Tokyo, in time to prevent the launching of the Japanese offensive; and the fact that the meeting of the Council was fixed for so late in the day was in itself sufficient comment upon the ineffectiveness of the proceedings at Geneva. In the words of an eye-witness, the Council meeting on the 19th February constituted an 'impressive and yet outrageous drama. . . . No meeting of the League Council ever made a deeper impression on those present—only it was an impression produced not by statesmanship but by play-acting, not by reality but by drama. The Council . . . met, knowing perfectly well that whatever it did would be done too late.' (Letter from 'A Witness at Geneva' published in *The Manchester Guardian* on the 26th February.)

² See sub-section (iv) (c) (2) below.

passed into the hands of the Assembly, the Council made a final attempt to promote a settlement at Shanghai. During the last days of February there were numerous informal conversations between the Japanese delegation and individual members of the Council; and the British Foreign Minister, Sir John Simon, was also known to be in correspondence with Washington. On the 29th February, an emergency meeting of the Council was summoned in order to hear a statement by Sir John Simon in regard to the Sino-Japanese conversations which had taken place on the previous day on the British Admiral's flagship at Shanghai.¹ It was believed—mistakenly as it turned out—that a basis for the cessation of hostilities had been found which was acceptable to both parties, and the atmosphere in which the Council met was therefore decidedly more cheerful than it had been ten days earlier. On the strength of the news from Shanghai, Monsieur Paul-Boncour, as President of the Council, put forward a proposal which was intended as a 'contribution towards the consolidation of peaceful conditions' at Shanghai. His proposal was as follows:

(1) A conference to be immediately set up in Shanghai composed of representatives of the Governments of China and Japan, together with representatives of the other Powers above referred to, for the purpose of bringing about a final conclusion of fighting and the restoration of peaceful conditions in the Shanghai area.

(2) The Conference would be undertaken on the basis (*a*) that Japan has no political or territorial designs and no intention of establishing a Japanese settlement in Shanghai or of otherwise advancing the exclusive interests of the Japanese, and (*b*) that China enters the Conference on the basis that the safety and integrity of the International and French Settlements must be preserved under arrangements which will secure these areas and their residents from danger.

(3) The meeting of this Conference is, of course, subject to the making of local arrangements for a cessation of hostilities. The Council trusts that this will very speedily be brought about. It is proposed that the military, naval and civilian authorities of the other principal Powers represented in Shanghai will render all possible assistance in consolidating the arrangements.

Monsieur Paul-Boncour pointed out that the execution of this plan would require not only the acceptance of the Governments of China and Japan, but also 'the co-operation on the spot of the other principal Powers who have interests in the Shanghai Settlements', and in his own name and in that of his colleagues he invited 'the adherence and co-operation both of China and Japan and of the other Powers'. Monsieur Paul-Boncour himself spoke for one of the principal Shanghai Powers, and the representatives of the other two Powers who were

¹ See pp. 507-8 above.

members of the League Council—Great Britain and Italy—at once signified that their Governments were ready to collaborate in carrying out the President's plan. Sir John Simon was also able to announce that he had been in close consultation with the United States Government, and he told the Council that he was—

authorized to communicate the assurance of the United States that it is prepared to associate itself with the step which we are now taking and to instruct its representatives in the Shanghai area to co-operate with us who are members of the League in the fullest measure in carrying out the proposals which the President has put before us.¹

Neither Dr. Yen nor Mr. Sato was able, in the absence of instructions from his Government, to accept Monsieur Paul-Boncour's proposal definitively, but Dr. Yen promised that he would 'strongly urge' his Government to accept it, while Mr. Sato accepted the plan, subject to his Government's approval. Mr. Sato also made a brief statement in which he declared once more that Japan had no 'political or territorial designs' at Shanghai and was merely acting in defence of her nationals. He also announced that—

the Japanese Government will be prepared to co-operate with the other Powers with a view to settling the position in Shanghai, once calm has been restored, under conditions which will guarantee the safety of the Settlement and of Japanese nationals. To this end, and, in particular, for the purpose of ensuring in future the safety of foreigners in the Shanghai district, it will have no objection to the opening in Shanghai of a Round Table Conference at which the foreign Powers having interests in Shanghai would be represented.

Mr. Sato's provisional acceptance of Monsieur Paul-Boncour's plan was confirmed by the Japanese Government on the 1st March,² but their acceptance was rendered illusory by the fact that the Sino-Japanese conversations of the 28th February had not resulted, as had been anticipated, in the immediate cessation of hostilities at Shanghai. The Council's recommendation that representatives of the neutral Shanghai Powers should assist in the negotiations for the definitive cessation of hostilities was repeated in the first resolution adopted by the Assembly³ and was carried into effect.⁴ At a later stage, the Japanese Government took up again the idea of a Round Table Conference for the discussion of means of guaranteeing the safety of foreigners at Shanghai; but the conditions proposed by Japan were

¹ After the Council meeting, Monsieur Paul-Boncour's proposal was formally transmitted by the Secretary-General to the United States Minister at Berne, who replied on the same day that his Government was 'happy to associate itself with this effort for the re-establishment of peace'.

² The Chinese Government also signified their formal acceptance on the 2nd March.

³ See p. 574 below.

⁴ See pp. 509-11 above.

not acceptable to the other Powers concerned, and the idea was dropped.¹

(2) *The Special Session of the Assembly and the Committee of Nineteen (March to November 1932)*

Article 15 of the Covenant, which China invoked on the 29th January, 1932, provided (in paragraph 9) that the Council might 'in any case under this article refer the dispute to the Assembly. The dispute shall be so referred at the request of either party to the dispute, provided that such request be made within fourteen days after the submission of the dispute to the Council.'

On the 12th February, the day on which the time-limit mentioned in Article 15 expired, Dr. Yen sent a communication to the Secretary-General of the League explaining that, in view of the time-limit, the Chinese Government were 'constrained hereby to request that the [Sino-Japanese] dispute be referred to the Assembly'. Dr. Yen added, however, that 'if it should be the pleasure and intention of the Council to refer the said dispute at its own initiative to the Assembly or in virtue of the general powers vested in it to summon the Assembly for consideration of the dispute, the Chinese Government will then be prepared to withdraw the request on its part'.

Dr. Yen's communication was considered during the next few days by the Committee of Twelve of the Council. The Committee held its meetings in private and the result of its discussions was not published officially, but it was generally believed that some of its members (including, it was said, the British representative) contemplated with considerable reluctance the prospect of handing the dispute over to a body on which the influence of the Great Powers was less predominant than it was on the Council. It soon became clear, at all events, that the Council was not likely to act upon Dr. Yen's suggestion and relieve him of responsibility by referring the dispute to the Assembly on its own initiative. As was to be expected, the proposed convocation of the Assembly met with opposition from Japan. The Japanese delegation followed their usual practice of raising technical objections of a legal nature,² and they also took the line that if the Assembly

¹ See p. 514 above.

² The Japanese appear to have raised the question whether Dr. Yen's communication of the 12th February could, in view of its terms, be considered a valid request for the summoning of the Assembly within the meaning of Article 15 of the Covenant. If the request were not valid, the conditions laid down in Article 15 in regard to the reference of a dispute to the Assembly would not have been fulfilled, since the time-limit of a fortnight expired on the 12th February.

were to meet it would only be competent to deal with the situation at Shanghai and that the Manchurian question would not come within its purview. The Japanese technical objections were disposed of on the 18th February by a committee of jurists to whom they were referred. The committee's report made it clear that, since China had not withdrawn her tentative request for the convocation of the Assembly, the Council was bound to act on that request. Accordingly, on the 19th February, the Council adopted a resolution referring the Sino-Japanese dispute to the Assembly. In view of the fact that 'delegations from almost every Member of the League' were 'present in Geneva in order to take part in the Conference for the Limitation and Reduction of Armaments, thereby enabling the Assembly to meet at short notice', the 3rd March was fixed as the date of the meeting. The final paragraph of the resolution noted that 'the duty of the Council to continue its work for the maintenance of peace in accordance with the Covenant remains unaffected by the present decision'. The Japanese delegate did not oppose the adoption of this resolution; but on the 29th February Mr. Sato, in notifying the Secretary-General of the appointment of a Japanese delegation to the Assembly, stated that his Government maintained the objections which he had raised at the Council meetings on the 29th and 30th January¹ 'regarding the application of Article 15 of the Covenant to the present difficulties between Japan and China', and that they 'accepted the invitation to the Assembly subject to these objections'.

The special session of the Assembly, which held its first meeting on the 3rd March, was attended by delegations from 51 of the 55 members of the League.² Before proceeding to its first business—the election as its President of Monsieur Hymans, the first delegate of Belgium, who had presided over the first ordinary session of the Assembly in 1920—the Assembly listened to an opening speech by the acting Chairman of the Council, Monsieur Paul-Boncour. His remarks were in the nature of an apologia for the Council, whose members were not ignorant of the fact that their handling of the Sino-Japanese dispute hitherto had been the subject of widespread criticism. At the afternoon session on the 3rd March, when the

¹ See pp. 561–2 above.

² It was only the second occasion in the history of the League on which the Assembly had been convened in extraordinary session. (The previous occasion had been in March 1926, when the Assembly had been summoned in order to admit Germany to membership of the League but had failed to achieve its purpose. See the *Survey for 1926*, Part I A, section (i) (e).) The Assembly had never before been called together to deal with a dispute which had been referred to the League under Article 15 of the Covenant.

Assembly heard statements by the principal delegates of China and Japan, it encountered one of the difficulties which had impeded the Council in the execution of its task—the difficulty of ascertaining the truth in regard to what was actually happening in the Far East. While Mr. Matsudaira, the principal Japanese delegate, assured the Assembly that the Japanese Commander at Shanghai had given the order to cease fire,¹ Dr. Yen declared that fighting was still continuing and that Japanese reinforcements were being landed. In order that the Assembly might be supplied with accurate and unbiased information as rapidly as possible, the Secretary-General, at the close of the second plenary meeting, telegraphed to Shanghai asking the Consular Committee which had been established in response to his request of the 30th January to submit a further report;² and on the 4th March the representatives of Great Britain, France and Italy undertook that their naval, military and civil authorities at Shanghai should investigate the situation, with special reference to the question of the cessation of hostilities, and should supply information to the Assembly from time to time.³

Dr. Yen, in his speech before the Assembly on the 3rd March, reviewed the whole history of the Sino-Japanese dispute from the 18th September, 1931, onwards. He declared that the negotiations for the cessation of hostilities at Shanghai had broken down, and appealed to the Assembly, 'as its most urgent task under Article 15 of the Covenant, to endeavour to establish an armistice between the parties on the basis of the principle resulting from the discussion on the British flagship *Kent*'. In regard to Manchuria, also, he pointed out that the developments of the past few days could not 'fail to instil the gravest apprehension'. He referred in particular to the Japanese penetration northward as far as Harbin and to the proclamation of the Republic of Manchukuo.⁴ He concluded his long speech, which was very sympathetically received both by the delegates to the Assembly and by the journalists and other members of the public who formed the unofficial part of the audience, by the following indication of the action which China expected from the Assembly.

¹ The order had in fact been given in the early afternoon of the 3rd March (see p. 494 above): that is, more than eight hours before the second plenary meeting of the Assembly was opened at 4.30 p.m. at Geneva.

² This report was duly despatched on the 5th March.

³ The American authorities at Shanghai also collaborated in this task; and, between the 7th March and the 2nd May, twenty-two 'Joint Situation Reports' were telegraphed to Geneva by the representatives of the four Powers.

⁴ See pp. 435 and 457 above.

1. We urge this Extraordinary Assembly which is now seized of the whole dispute between the Republic of China and the Empire of Japan to explore and exhaust the possibilities of effecting a settlement in conformity with the provisions of our Covenant.

2. China asks you to do everything in your power, first to bring about the cessation of all hostile action on her territory and the withdrawal of the invading forces; and, second, the peaceful settlement of the entire Sino-Japanese controversy within the scope of the Council's resolutions and the spirit of the Covenant. Naturally, no measure, taken in relation either to Shanghai or to Manchuria, which encroaches upon China's sovereignty rights or is contrary to the general principles of international law or her existing treaty obligations to third parties, can be regarded as a settlement.

3. We ask you to recognize that the Covenant has been broken.

4. We ask you solemnly to declare that, for the present terrible state of affairs which prevails in Manchuria, Shanghai and other parts of China, my country bears no shadow of responsibility. When the Assembly has made this declaration, it will have begun to mobilize those moral forces by which, we still believe, this conflict may be solved and ended.

Mr. Matsudaira broke no new ground in the speech which he delivered in reply to Dr. Yen. He gave the Assembly the Japanese version of the origin and development of the conflict at Shanghai, and declared that the Japanese forces were prepared to cease hostilities as soon as the danger to Japanese residents had been removed. He repeated the assurance, which Mr. Sato had already given to the Council,¹ that the Japanese Government had no political or territorial ambitions at Shanghai and that they were ready to take part in a Round Table Conference on the question of safeguarding foreign interests in future. In regard to Manchuria, he declared that his Government were of opinion that it was not a question which ought to be discussed by the Assembly. They believed that 'it would be unwise to re-open discussions . . . on a matter which is being fully looked after and in which no danger of rupture is in sight. Such a course would only cause confusion and would be harmful to its settlement'. This Japanese attempt to confine the discussion in the Assembly to the question of Shanghai met with no success. Subsequent speakers assumed that the Assembly was seized of the Sino-Japanese dispute in all its aspects, and this assumption was definitely confirmed by the terms of the resolution which was adopted on the 11th March.²

In view of the uncertainty which existed at Geneva on the 3rd March in regard to the current situation at Shanghai, there was a general feeling that the first duty which the Assembly was called upon to fulfil, before it proceeded with the general debate on the

¹ See p. 567 above.

² See pp. 578-80 below.

issues raised by the speeches of Dr. Yen and Mr. Matsudaira, was to take such steps as lay in its power to prevent further bloodshed by using its corporate influence in another attempt to promote the definitive cessation of fighting between the Japanese and Chinese forces at Shanghai. Dr. Yen was able to tell the Assembly on the 4th March that the Chinese Commander had given orders that hostilities should cease; but he declared—and Mr. Matsudaira denied—that Japanese troops were still attacking the Chinese in the new position to which they had withdrawn. On the evening of the 4th March, the Assembly, by a unanimous vote, adopted a resolution¹ calling upon the Governments of China and Japan to take immediate measures to ensure that orders for the cessation of hostilities should be made effective, and recommending them to enter into negotiations 'for the conclusion of arrangements which shall render definite the cessation of hostilities and regulate the withdrawal of the Chinese forces'. The other Shanghai Powers were asked to instruct their representatives to assist in these negotiations and to keep the Assembly informed both of the manner in which the orders for the cessation of hostilities were carried out and of the progress of the negotiations.

In the discussion on this resolution, Mr. Sato had moved an amendment which would have left it open to the Japanese to insist that certain conditions relating to the security of their nationals must be fulfilled before the Japanese forces could be recalled from Shanghai; but he had withdrawn this amendment when it became clear that the general feeling of the Assembly was against a modification of the resolution in this sense, and he did not oppose the adoption of the resolution when it was put to the vote. Dr. Yen accepted the resolution on the understanding that the negotiations mentioned referred 'to armistice negotiations rather than to the so-called Shanghai Conference, which is to follow the armistice negotiations'; and also on the understanding 'that no condition should be imposed upon the withdrawal of troops occupying the territory of an invaded country'. At the suggestion of the Swiss delegate, Monsieur Motta, the vote on the resolution was taken by roll-call, in order that there might be no doubt in regard to the Assembly's unanimity. The resolution was subsequently communicated by the Secretary-General to the United States Government, who requested their military authorities at Shanghai, by telegraph, to co-operate in the execution of the resolution.

On the following day, before the general discussion began in the Assembly, the representatives of France and Great Britain were able

¹ The text is printed in *Documents on International Affairs, 1932*.

to inform their colleagues, on the basis of communications which they had received from Shanghai, that military operations had actually been suspended ; and although the Chinese and Japanese delegations continued to make contradictory statements in regard to alleged acts of aggression by either side, the information which reached Geneva from neutral sources during the next few days all went to prove that fighting on a serious scale was no longer taking place. The delegates to the Assembly were therefore no longer preoccupied by the urgent necessity for putting an end to active hostilities and could turn their attention to the wider issues.

The general debate in the Assembly, which lasted for three days, was chiefly remarkable for the plain speaking of the representatives of the smaller Powers—the majority of whom were not members of the Council, so that they now had their first opportunity of making their views on the Sino-Japanese dispute known and their influence felt.¹ These Powers, for the most part, had neither interests nor responsibilities in the Far East, and they could therefore consider the dispute with impartial minds ; but they all felt themselves to be vitally concerned in the maintenance of the system of security which was being slowly and laboriously built up during the post-war period, with the Covenant of the League of Nations as its chief corner-stone. Accordingly, their attitude in regard to the dispute between China and Japan was determined less by any interest in the rights and wrongs of the dispute as such than by their conviction that the future of the League of Nations—and with it the whole system of security—was in dire peril as a result of the actions of one of the disputants. Most of the speakers in the debate disclaimed any intention of examining into the merits of the Sino-Japanese dispute or prejudging the issue, but few of them left it open to doubt that they considered Japan the aggressor ; and while they differed in the degree of vigour² with which they condemned Japan's actions on Chinese

¹ For a preliminary sketch of the attitude of the smaller Powers, see p. 517 above.

² One of the most vigorous of the indictments of Japan to which the Assembly listened came from the representative of one of the British Dominions. Mr. te Water, the delegate of South Africa, who spoke on the 8th March when the debate was drawing to its close, declared that—

‘We have no other name for the state of affairs in China to-day than that of war, and the following facts at any rate appear to be clear to us. Powerful Japanese forces, equipped with all the modern weapons of war, have been transported into Chinese territory. These armies have been actively and destructively used against Chinese forces and have taken possession of a considerable portion of Chinese territory. It appears to us equally clear that Japan has not sought to use the pacific means at its disposal under the Covenant, to which it is signatory. Nor, in the absence of any further

territory, her refusal to resort to pacific procedure, and her flouting of the Council's recommendations, there was a striking degree of unanimity in their insistence that the Assembly must not attempt to shelve the issue, but must vindicate the moral authority of the League by taking definite action. It was specially significant that the necessity for defending the Covenant was felt and expressed by the small Powers of all categories: not only by 'ex-neutrals' such as Switzerland and the Scandinavian countries, but also by allies of France such as Belgium and Czechoslovakia; not only by European countries, but also by Latin American states and by states members of the British Empire like Canada and South Africa. The attitude of mind of the small Powers, who felt that their own security was at stake so long as one Far Eastern state was allowed to trespass with impunity upon the territory of another, was well described by the Czechoslovak Foreign Minister, Dr. Beneš, when he declared that the country which he represented was—

concerned in this serious problem solely as a Member of the League of Nations. She is anxious regarding the results of our present action; she desires the League to fulfil all its obligations deriving, not only from the Covenant, but from the moral prestige it at present possesses throughout the world. [She] desires that the League, which, in spite of all, represents a new spirit and quite a new method in international relations, shall prove that it is useful and, indeed, indispensable to the maintenance of world peace.

The representatives of the smaller states generally recognized it to be desirable that the Assembly should exhaust all the possibilities of mediation and conciliation before it proceeded to take the other steps which were indicated in paragraphs 4 and 10 of Article 15 of the Covenant¹ (that is, to 'make and publish a report containing a statement of the facts of the dispute and the recommendations which are

explanation by Japan, does it appear to us that in this dispute she has remembered her declarations under the Pact of Paris. Equally it seems to my delegation an undisputed fact that China has placed its case in the hands of the League and has been prepared, at every stage of the enquiry by the Council of the League, to act on its advice and instructions. As emphatically has Japan refused to show the same confidence in the fair-mindedness of a body of which it has been for many years so active and important a Member. As far as these facts are concerned, it is to be stated unhesitatingly, in our opinion, that a *prima facie* case has been made out that Japan has acted in contradiction to what we believe to be the obligations to which, equally with all of us, she is bound.'

¹ By paragraph 10, the provisions of paragraph 4 relating to the action and powers of the Council applied to the action and powers of the Assembly, but a report by the Assembly must be concurred in by all the members of the Council (other than the parties to the dispute) and by a majority of the other members of the Assembly.

deemed just and proper in regard thereto'); but most of them made it clear that they would not hesitate, so far as they were concerned, to take those steps, and any others which might follow therefrom, should the necessity arise. Not many of the delegates were as outspoken as Monsieur Motta of Switzerland, who reminded his hearers that the provisions of Article 15 of the Covenant 'already foreshadow the application of Article 16'; but the possibility of applying economic sanctions against Japan was evidently in the minds of many of the speakers.

While the smaller Powers were thus making their stand in defence of the integrity of the Covenant, a much greater degree of caution was noticeable in the speeches which were delivered by the representatives of the Great Powers. Those Powers, of course, had more direct concern than the small Powers in Far Eastern affairs and at the same time—in the spirit of 'the strong man armed' of the Parable, in the first chapter of his history—they conceived themselves to have a less vital national interest in the maintenance of the system of pooled security. Great Britain, in particular, was also conscious that upon her would rest the main burden of applying Article 16 of the Covenant—should its application be decided upon—and of coping with any resulting complications with the United States. As members of the Council, the Great Powers could block any proposal for action which was not to their minds, even if the majority of the smaller Powers were in favour of it; and a declaration of their policy, in the new atmosphere which had been created by the stand of the small Powers, was therefore eagerly awaited. Special significance was felt to attach to the views of Great Britain, which were expressed by the Foreign Secretary, Sir John Simon, on the 7th March.

Sir John Simon began his speech by pointing out that the meeting of the Assembly and the course of the discussion were 'a demonstration that we are all of one mind in recognizing the importance and desiring the maintenance of the fundamental principles of the League'; but he went on to emphasize the necessity for not abandoning the procedure of mediation or regarding it 'in these first few days of our work as already exhausted', and for not 'pronouncing a premature judgment on matters in controversy'. So far, the British Foreign Secretary's speech contained little encouragement to those of his hearers who felt that the time had come for the adoption of more energetic methods than those by which the Council had tried, and failed, to curb Japanese aggression. Sir John Simon concluded his remarks, however, by suggesting that the Assembly should make a solemn declaration reaffirming the principles of the Covenant and of

the Kellogg Pact, and making it clear that 'changes brought about by means contrary' to those principles 'manifestly could not receive the approval of members of the Assembly of Nations'. The proposal for a declaration on these lines, which would bring the states members of the League into line with the attitude of the United States, as set forth in the recent letter from Mr. Stimson to Senator Borah,¹ was welcomed by many of the subsequent speakers, and received support from the representatives of the other permanent members of the Council—France, Italy and Germany—when they joined in the debate.

The general discussion in the Assembly came to an end on the afternoon of the 8th March, and a drafting committee was appointed to prepare a draft resolution which would express the ideas that had been put forward during the discussion. This committee had before it eleven resolutions proposed by a corresponding number of members of the Assembly, all of whom were represented on the Committee, and by the 11th March agreement had been reached on a final text. The long resolution² which was adopted unanimously by the Assembly (with the abstention of both China and Japan) on the evening of the 11th March was couched in less peremptory terms than some of the small Powers would, perhaps, have preferred, but it met the main points which had been raised during the discussion. In particular, it embodied the principle of non-recognition of results achieved in defiance of treaty obligations, and it also made it clear that the principle applied to Manchuria as well as to Shanghai. The resolution was divided into three parts.

In Part I the Assembly expressed the opinion that the provisions of the Covenant were 'entirely applicable to the present dispute'; adopted the principles laid down in Monsieur Briand's declaration of the 10th December, 1931;³ referred to the note of the 16th February, 1932, to Japan⁴ in which the twelve members of the Council had declared 'that no infringement of the territorial integrity and no change in the political independence of any Member of the League brought about in disregard of Article 10 of the Covenant ought to be recognized as valid and effectual by Members of the League of Nations'; and pointed out that 'the principles governing international relations and the peaceful settlement of disputes between Members of the League' were 'in full harmony with the Pact of Paris, which is one of the corner-stones of the peace organization of the world'.

¹ For this state paper, see pp. 548–50 above.

² The full text will be found in *Documents on International Affairs, 1932*.

³ See the *Survey for 1931*, pp. 458 and 501–2. ⁴ See pp. 565–6 above.

The 'binding nature' of these principles and provisions was proclaimed, and the Assembly declared that it was 'incumbent upon the Members of the League of Nations not to recognize any situation, treaty or agreement which' might 'be brought about by means contrary to the Covenant of the League of Nations or to the Pact of Paris'.

In Part II of the resolution, the Assembly affirmed that it was 'contrary to the spirit of the Covenant that the settlement of the Sino-Japanese dispute should be sought under the stress of military pressure on the part of either Party'; recalled the Council resolutions of the 30th September and the 10th December, 1931,¹ and its own resolution of the 4th March;² and requested the Powers with special interests at Shanghai, which had already signified their readiness to assist in bringing about the definitive cessation of hostilities and the withdrawal of the Japanese forces, to co-operate, if necessary, 'in maintaining order in the evacuated zone'.

In Part III, the Assembly, 'considering that the whole of the dispute which forms the subject of the Chinese Government's request³ is referred to it, and that it is under an obligation to apply the procedure of conciliation provided for in paragraph 3 of Article 15 of the Covenant and, if necessary, the procedure in regard to recommendations provided for in paragraph 4 of the same article', decided to set up a Committee of nineteen members which would exercise 'its functions on behalf of and under the supervision of the Assembly'. This Committee was to be composed of the President of the Assembly, who would act as chairman, the members of the Council, other than China and Japan, and six other members to be elected by secret ballot. Its terms of reference were as follows:

(1) To report as soon as possible on the cessation of hostilities and the conclusion of arrangements which shall render definitive the said cessation and shall regulate the withdrawal of the Japanese forces in conformity with the Assembly resolution of the 4th March, 1932;

(2) To follow the execution of the resolutions adopted by the Council on the 30th September and the 10th December, 1931;

(3) To endeavour to prepare the settlement of the dispute in agreement with the Parties, in accordance with Article 15, paragraph 3, of the Covenant, and to submit a statement to the Assembly;

(4) To propose, if necessary, that the Assembly submit to the Permanent Court of International Justice a request for an advisory opinion;

(5) To prepare, if need be, the draft of the report provided for in Article 15, paragraph 4, of the Covenant;

¹ See the *Survey for 1931*, pp. 486-7 and 501-2. For the full text of these resolutions, see *Documents on International Affairs, 1932*.

² See p. 574 above.

³ i.e. the Chinese request of the 12th February, 1932, that the dispute be referred to the Assembly.

- (6) To propose any urgent measure which may appear necessary ;
- (7) To submit a first progress report to the Assembly as soon as possible and at latest on the 1st May, 1932.

In conclusion, the Assembly recorded its intention of remaining in session and instructed its President to convene it as soon as he deemed a meeting necessary.

The Chinese delegate assured the Assembly that his abstention from voting on this resolution was 'not to be taken as a sign of opposition', but was purely owing to the fact that he had not had time to receive definite instructions from his Government.¹ Mr. Sato, who had received his instructions from Tokyo, declared that the Japanese Government were 'entirely in agreement with the fundamental principles set out in the resolution', and expressed 'great satisfaction that the duty scrupulously to respect existing treaties' was 'again proclaimed'. He recalled the objections which he had raised on the 29th and 30th January² 'to the application of Article 15 to the whole Sino-Japanese conflict', and the fact that the Japanese delegation was taking part in the Assembly subject to 'reservations with regard to the applicability of Article 15'. It was for that reason alone, he explained, that he was obliged to abstain from voting on the resolution.

After the adoption of the resolution,³ the ballot was held for the election of the six members of the Committee of Nineteen who would not be members of the Council. The six states elected were Switzerland, Czechoslovakia, Colombia, Portugal, Hungary and Sweden.

By the 11th March, when the Assembly adopted the resolution which established the Committee of Nineteen, the representatives of the neutral Powers at Shanghai were engaged in the attempt to bring a Chinese and a Japanese delegation together in order that they might discuss arrangements which would make the cessation of hostilities definitive and would lead to the withdrawal of the Japanese forces. Formal negotiations for an armistice agreement began a few days later, before the Committee of Nineteen held its first private

¹ The Chinese Government subsequently intimated that they accepted the resolution.

² See pp. 561-2 above.

³ According to a precedent which had already become well established, the text of the resolution was formally communicated to the United States Government through their representative at Berne, Mr. Hugh Wilson. Mr. Wilson replied on the 12th March that he was instructed by his Government to express 'its gratification at the action taken by the Assembly of the League of Nations. My Government is especially gratified that the nations of the world are united on a policy not to recognize the validity of results attained in violation of the treaties in question. This is a distinct contribution to international law and offers a constructive basis for peace'. For Mr. Stimson's own expression of gratification in a public statement which he made at Washington on the same date, see p. 553 above.

meeting on the 16th March, and its first public meeting, under the chairmanship of Monsieur Hymans, on the following day. The members of the Committee agreed that it was not their duty to dictate the terms of a settlement at Shanghai, but that they would be called upon to intervene if the negotiations on the spot should appear likely to result in a settlement which was inconsistent with the text or the spirit of the Assembly's resolution. The Committee heard conflicting accounts from Dr. Yen and Mr. Sato of the progress and prospects of the armistice negotiations; and they noted that difficulties had arisen because the Japanese had proposed certain conditions which were unacceptable to the Chinese in connexion with guarantees against the resumption of the anti-Japanese boycott. The Committee took the view that conditions of this kind could not properly form part of the armistice agreement, but they felt that the question of the boycott would come within the scope of the post-armistice conference, which had been suggested in the Council's resolution of the 29th February.¹ The Committee dispersed after it had disposed of this question; but Monsieur Hymans announced that he would remain in touch with the League Secretariat, and would reassemble the Committee if circumstances should render a further meeting necessary.

The negotiations for an armistice agreement at Shanghai continued during the latter part of March and the first week of April, but further difficulties arose in connexion with the reluctance of the Japanese to agree to a definite time-limit for the final withdrawal of their troops.² The Chinese negotiators felt that the Japanese standpoint on this matter was not in accordance with the terms of the Assembly's resolution, and they referred the question to the Committee of Nineteen for decision. The Committee held several meetings between the 16th of April and the end of the month, and on the 19th they adopted a preliminary draft resolution embodying a proposal which would, they hoped, remove the difficulty which stood in the way of the conclusion of an armistice agreement. The substance of their proposal was that the representatives of the neutral Powers at Shanghai, who were acting as 'honest brokers' in the armistice negotiations, should decide when conditions had become sufficiently normal to allow of the withdrawal of the Japanese troops inside the boundaries of the International Settlement. This proposal was not acceptable to Japan; but during the last week of April direct negotiations were resumed at Shanghai—this time with success.³

By the terms of the Assembly resolution of the 11th March, the Committee of Nineteen was called upon to report to the Assembly

¹ See p. 568 above.

² See pp. 510–11 above.

³ See p. 511 above.

upon the execution of the terms of the resolution before the 1st May, 1932. A plenary session of the Assembly was therefore held on the 30th April, when Monsieur Hymans, in his double capacity as President of the Assembly and of the Committee of Nineteen, was able to report that the terms of an armistice had at last been accepted by both parties at Shanghai, though the agreement had not yet been signed.¹ The Assembly, accordingly, adopted a resolution² noting the articles of the draft armistice and in particular the undertaking given by the Japanese Government in regard to the withdrawal of their troops. The resolution declared that it was 'in accordance with the spirit of the resolutions of the 4th and the 11th March that this withdrawal should take place in the near future'; that the resolution of the 4th March would 'only have been fully complied with when the Japanese forces' had been 'entirely withdrawn'; and that 'unless a conclusion' was 'reached as laid down in the resolutions of the 4th and 11th March, the question' would 'necessarily come up again before the Assembly'. The Governments of the Powers with special interests at Shanghai were asked to transmit to the League the information that would be supplied to them by their representatives on the Mixed Commission which was to be appointed, under the terms of the armistice agreement, to supervise the execution of the agreement.

This resolution was adopted unanimously by the members of the Assembly, but with the abstention of Japan. The Japanese delegate explained that he was obliged to abstain from voting on this, as on the earlier resolutions of the Assembly, because his Government maintained 'the attitude of reserve which it has always felt bound to observe in regard to the application to the Sino-Japanese dispute of Article 15 of the Covenant'.

The armistice agreement was duly signed at Shanghai on the 5th May, and the provisions relating to the withdrawal of the Japanese troops were carried out within the time-limit specified in the agreement.³ Neither the Committee of Nineteen nor the Assembly, therefore, was called upon to hold a further meeting in order to discuss the situation at Shanghai. In regard to the situation in Manchuria, the Chinese delegation submitted complaints from time to time during the early summer, but the members of the League were naturally reluctant to take further decisions pending the completion of the Lytton Commission's inquiry. By the terms of Article 15 of the

¹ See p. 511 above.

² The text will be found in *Documents on International Affairs, 1932*.

³ See p. 513 above.

Covenant, however, the Assembly was bound to make a report upon any dispute which had been submitted to it within the period of six months specified in Article 12;¹ and in the case of the Sino-Japanese dispute this time-limit expired on the 19th August, 1932—the Council's decision to refer the dispute to the Assembly having been taken on the 19th February.² During June it became known that the report of the Lytton Commission would not be submitted before September, and the Assembly was therefore obliged to decide whether, in the circumstances, the time-limit specified in Article 12 of the Covenant should be extended.

The Committee of Nineteen met on the 24th June to consider what recommendations it should make to the Assembly on this question; and it also had before it a request from the Chinese delegation that the League should use its influence in order to dissuade Japan from carrying out her declared intention of granting *de jure* recognition to the 'state' of Manchukuo.³ The meeting of the Committee was held in private, but there was understood to have been considerable divergence of opinion between the members. The representatives of the smaller states, led by the Czechoslovak and Spanish delegates, were said to have desired an emphatic and unambiguous expression of disapproval of any action—such as the recognition of Manchukuo—which might be held to be inconsistent with the Assembly resolutions, whereas the representatives of the Great Powers were guided by their usual cautious preference for a more diplomatic procedure. The Committee finally agreed to recommend to the Assembly that the time-limit of six months should be extended until such time as the Lytton Commission's report had been received, provided that the date was not later than the 1st November, 1932. It was also agreed that Monsieur Hymans should send an identic note to the Chinese and the Japanese delegations asking their approval of the proposed extension of the time-limit; reminding them of their obligation not to take any action which might aggravate the situation; and recalling the fact that the Assembly, by its resolution of the 11th March, had declared it to be incumbent upon members of the League not 'to recognize any situation, treaty or agreement which may be brought

¹ 'The Members of the League agree that if there should arise between them any dispute likely to tend to rupture they will submit the matter either to arbitration or to inquiry by the Council. . . . The report of the Council shall be made within six months after the submission of the dispute.' By paragraph 10 of Article 15, all the provisions of Article 12 relating to the action and powers of the Council applied to the action and powers of the Assembly when it had been seized of a dispute.

² See p. 511 above.

³ See section (ii) (c) of this part of the present volume.

about by means contrary to the Covenant of the League of Nations or the Pact of Paris'.

On the 1st July, the Assembly met in plenary session and formally decided to extend the time-limit of six months mentioned in Article 12 of the Covenant until the Lytton Commission had submitted their report. The Chinese delegate, Dr. Yen, agreed to the extension, though with obvious reluctance. He reminded the Assembly that it was through no fault of China that the Commission of Inquiry was unable to complete its task within the period specified in the Covenant, and he declared that further delay was a serious matter for China, since the situation in Manchuria was growing steadily worse. The Japanese representative, who had already notified Monsieur Hymans that his Government did not object to the extension of the time-limit, took no part in the debate. The representatives of Sweden, Czechoslovakia, Mexico and Spain gave expression to the uneasiness which was felt by the smaller Powers in regard to this deliberate breach of the terms of the Covenant, and indicated that they could only agree to the decision which the Assembly was asked to take on the understanding that it would not constitute a precedent. The representatives of Sweden and Czechoslovakia also took occasion to emphasize the fact that the previous resolutions of the Assembly on the Sino-Japanese dispute had lost nothing of their force, and that any infringement of their terms could not be countenanced. This point was also taken up by Monsieur Hymans in his closing speech, after the Assembly had adopted the proposals of the Committee of Nineteen. He recalled the terms of the note which he had addressed to the Chinese and Japanese delegations on the 24th June, and pointed out that the Assembly had agreed to extend the time-limit of six months only in order that the efforts of the League to promote a satisfactory settlement of the dispute might continue in the best possible conditions. He felt himself authorized to declare, therefore, 'that the parties must abstain from any action that might compromise the success of the work of the Commission of Inquiry or of any efforts the League may make with a view to a settlement'.

The past experience of the Council and of the Assembly in dealing with the Sino-Japanese dispute must have left the members of the Assembly with little hope that Monsieur Hymans's recommendation would avail to turn Japan from her course; and the Japanese Government took no one by surprise when they attempted to forestall the findings of the Lytton Commission by recognizing Manchukuo before the Commission's report was submitted to the Council. The report of the Lytton Commission was signed at Peking on the 4th

September, but it was announced that its terms would not be made public until it had been presented to the Council. On the 15th September, while the report was on its way to Geneva, the Japanese Government signed the protocol by which they granted *de jure* recognition to Manchukuo.¹ On the same day, at Geneva, the Japanese Government presented a formal request for the postponement of the Council's consideration of the Lytton Report for a period of at least six weeks from the date of its reception, in order that the Japanese observations on the report might be considered together with the report and that there might be time for a special Japanese delegate to travel from Tokyo to Geneva.

The Lytton Report reached Geneva on the 22nd September and was published on the 2nd October. The Japanese request for delay was considered by the Council on the 25th September. Mr. Nagaoka explained that the Japanese proposal was dictated solely by practical considerations, and that his Government had no intention of trying to postpone the discussion indefinitely. Dr. Yen, who asked that the Japanese request might be submitted to the Committee of Nineteen, pointed out that China would not 'hesitate so much in considering the request for a further delay did' she 'feel assured that Japan would not again take advantage of the opportunity to aggravate the situation'. The Council decided to grant Japan's request and fixed the 14th November as the date on which it would begin its consideration of the Lytton Report. The President was left free, however, to extend the delay for another week at his discretion. At this session of the Council the Chair was occupied by Mr. de Valera, the President of the Council of the Irish Free State. In recommending the acceptance of the Japanese proposal Mr. de Valera remarked that he would be lacking in frankness if he were not to give expression to the regret which he was sure was 'felt by the generality of the members of the Council that before the discussion of the report of the Commission, before even the publication of that report, Japan' had, 'not only by recognizing, but also by signing a treaty with what' was 'known as the Manchukuo Government, taken steps which' could 'not but be regarded as calculated to prejudice the settlement of the dispute'.

On the 1st October the Committee of Nineteen held a public meeting to consider a request from Dr. Yen that it should fix a definite date for the final report of the special session of the Assembly on the Sino-Japanese dispute. The general feeling of the majority of the members of the Committee was clearly in sympathy with Dr. Yen's desire to avoid further procrastination, but, as Monsieur

¹ See pp. 462-3 above.

Hymans pointed out, the Committee was not in a position to accede to the Chinese delegate's request, since it could take no further action until the Council had transmitted the Lytton Report to it, and its rate of progress was therefore dependent upon that of the Council. Accordingly, Dr. Yen was obliged to resign himself to the continued exercise of 'the painful patience in delays' which had characterized the Chinese attitude towards the proceedings at Geneva during the past twelve months. It may have been some slight consolation for the Chinese delegate to hear a further emphatic expression of the sentiments which had been uttered by Mr. de Valera on the 25th September in the speeches of Monsieur Hymans and of the representatives of Czechoslovakia, Switzerland and Sweden.

On the 2nd November it was announced that the session of the Council which was to consider the Lytton Report would begin on the 21st November, and not on the 14th, owing to the fact that the special Japanese delegate who was bringing the Government's observations on the Lytton Report was not expected to arrive at Geneva until the 16th November. The history of the new phase of the Sino-Japanese dispute which opened on the 21st November, 1932, must be reserved for the next volume of this *Survey*.

APPENDIX

CHRONOLOGY OF EVENTS, 1932¹

N.B. The following abbreviations are used in the references to the published texts of the treaties and documents: *Cmd.* = *British Parliamentary Paper*; *D.I.A.* = *Documents on International Affairs*; *E.N.* = *L'Europe Nouvelle*; *J.O.F.* = *Journal Officiel* (France); *L. of N.* = *League of Nations Publication*; *L.N.M.S.* = *League of Nations Monthly Summary*; *L.N.O.J.* = *League of Nations Official Journal*; *L.N.T.S.* = *League of Nations Treaty Series*; *M.G.* = *Manchester Guardian*; *N.Y.T.* = *New York Times*; *O.M.* = *Oriente Moderno*; *Öv.F.S.* = *Överenskomster med Fremmede Stater* (Norway); *P.C.I.J.* = *Permanent Court of International Justice*; *P.R.* = *Press Releases* (U.S.A.); *S.* = *Staatsblad* (Netherlands); *T.I.* = *Treaty Information* (U.S.A.); *U.S.D.* = *United States Daily*; *U.S.T.S.* = *United States Treaty Series*.

Abyssinia

1932, Feb. 19. Ratifications exchanged with France, Great Britain and Italy of arms traffic treaty of Aug. 21, 1930 (*Cmd.* 4051).

Aug. 26. Ratifications exchanged with Japan of friendship and commerce treaty of Nov. 15, 1930 (*L.N.T.S.* 133).

See also under *Permanent Court of International Justice*, Jan. 6.

Afghanistan

1932, May 5. Friendship treaty signed with Sa'ūdī Arabia.

July 18. Frontier agreement reached with India at Chitral regarding Dokalim area.

Dec. 20. Friendship treaty signed with 'Irāq ('*Irāq Government Gazette*, June 25, 1933).

Albania

1932, Jan. 7. Protocol signed with Bulgaria regarding Balkan pact and minorities.

April 23. Treaty of friendship signed with Uruguay.

See also under *France*, July 13.

Argentina

July 8. Diplomatic relations broken off with Uruguay. Sept. 12. Exchange of notes re-establishing relations.

See also under *Bolivia*.

Australia. See under *British Empire*.

Austria

1932, Jan 14. Dr. Buresch visited Geneva. Jan. 17, League Financial Committee discussed Austrian situation.

¹ In this chronology only a few treaties of political importance are included. For a full list of bilateral and multilateral treaties and conventions signed or ratified during the year 1932, see the supplementary volume, *Documents on International Affairs, 1932*.

Austria: cont.

Jan. 27. Dr. Buresch's Government resigned. Jan. 31, Dr. Buresch returned to office.

May 6. Dr. Buresch's Government resigned. May 20, Dr. Dollfuss formed a Government.

May 9. Austrian note to League of Nations regarding financial situation. May 21, Council discussed question and referred it to special committee. July 14, committee reached agreement regarding loan. July 15, Council approved loan protocol, the political conditions of which were unacceptable to Germany. It was signed by Austria, Belgium, France, Great Britain, Italy and the Netherlands. Ratifications were deposited by Austria on Nov. 14, by France on Dec. 31, by Great Britain on Dec. 29, and by Italy on Dec. 27.

See also under *Europe* ; *France*, July 13 ; *Inter-Governmental Debts*.

Belgium

1932, Jan. 23. Netherlands deposited ratification of Oslo economic convention and protocol of Dec. 22, 1930, which came into force on Feb. 7 between Belgium, Denmark, Luxembourg, Netherlands, Norway and Sweden (*E.N.* Jan. 24, 1931).

April 4. Ratifications exchanged with Rumania of arbitration, conciliation and judicial settlement treaty of July 8, 1930 (*L.N.T.S.* 128).

May 24. Ratifications exchanged with Lithuania of arbitration, conciliation and judicial settlement treaty of Sept. 24, 1930 (*L.N.T.S.* 129).

July 18. Ouchy convention for the lowering of economic barriers signed with Luxembourg and Netherlands; open to accession by other states (*E.N.* Aug. 27, 1932).

Oct. 18. M. Renkin's Liberal-Catholic Cabinet resigned. Oct. 22, the Comte de Broqueville formed a Government which was successful in general election on Nov. 27.

See also under *Austria*, May 9 ; *France*, July 13 ; *Inter-Governmental Debts*.

Bolivia

1932, July. Renewed fighting between Bolivian and Paraguayan troops in the Chaco. July 30, Paraguayan Government informed League Council of alleged Bolivian aggression. Aug. 1, President of Council reminded both States of their Covenant obligations. Aug. 3, nineteen American States informed disputants that they would not recognize the acquisition of territory by conquest. Aug. 5, Committee of Neutral States (Colombia, Cuba, Mexico, U.S.A., and Uruguay), set up in 1931, appealed to Bolivia and Paraguay to suspend hostilities, and seek arbitral settlement. Sept. 23 and 27, League Council discussed question and set up Committee of Three to watch events. Nov. 5, Committee of Neutrals informed Committee of Three that both parties had agreed to open negotiations. Nov. 25, League Council appealed to Bolivia, Paraguay and Committee of Neutrals urging more rapid progress towards a settlement. Dec. 6, League Council proposed appointment of Commission of

Bolivia: cont.

Inquiry. Dec. 16, Committee of Neutrals proposed convention providing for settlement of dispute. Dec. 17, League Council invited Bolivia and Paraguay to accept convention. Dec. 20, both parties announced their inability to do so. Dec. 31, Committee of Neutrals notified League Council that it had invited Argentina, Brazil, Chile and Peru to take part in further mediation.

Brazil

1932, May 9. Notes exchanged with Venezuela on April 26 and May 9 regarding frontier demarcation.

July 9. Separatist rising in San Paulo State which was not suppressed by Federal Government till Oct. 3.

See also under *Bolivia*.

British Empire

1932, July 21-Aug. 20. Imperial Economic Conference held at Ottawa. Aug. 20, bilateral commercial agreements signed between the following countries: (1) Australia and Great Britain; (2) Canada and Great Britain, Irish Free State, South Africa, and Southern Rhodesia; (3) Great Britain and India, New Zealand, Newfoundland, South Africa and Southern Rhodesia; (4) Irish Free State and South Africa; (5) New Zealand and South Africa (Canada: *Report of Conference*, Annex V).

Bulgaria

1932, Jan. 20. Bulgarian Government asked League of Nations for financial assistance. Feb. 12-14, Financial Committee's representatives visited Sofia. March 17, Bulgaria accepted Committee's recommendations and agreed to transfer 50 per cent. of the service of League Loans. Oct. 10, transfer reduced to 40 per cent. of service. Dec. 3, agreement reached regarding control by Financial Committee.

Jan. 31. Graeco-Bulgarian Mixed Commission for the exchange of populations completed its work.

March 8. Permanent Court of International Justice gave advisory opinion by 8 votes to 6 that no legal difference existed between Bulgaria and Greece in the sense of Art. 8 of the Kaphandáris-Molov Agreement of Dec. 9, 1927 (*P.C.I.J.*, Series A/B, No. 45). May 29, Bulgaria informed Greece of her inability to make next payment due under above agreement.

Oct. 15. Ratifications exchanged with Norway of arbitration, conciliation and judicial settlement treaty of Nov. 26, 1931 (*Ov.F.S.* No. 8, 1932).

See also under *Albania*, Jan. 7; *Conferences*, Oct. 21; *Europe*, March 16; *France*, July 13; *Inter-Governmental Debts*, Jan. 21, June 29.

Canada. See under *British Empire*.

Chile

1932, April 19. Gold standard suspended.

June 5. Government of Don Juan Esteban Montero overthrown by

Chile: cont.

Socialist Junta, which was succeeded on June 17 by a Junta under Don Carlos Davila.

June 30. Friendship and commerce treaty with Germany of Feb. 1, 1862, prolonged for one year.

Sept. 13. Señor Davila overthrown by military leaders under Air Commodore Merino, who was succeeded next day by General Blanche. Oct. 21, Germany, Great Britain and U.S.A. recognized the new Government.

See also under *Bolivia*.

China

(a) *Sino-Japanese Conflict.*

1932, Jan. 7. Mr. Stimson sent identic note to Chinese and Japanese Governments on non-recognition of any settlement reached in defiance of international obligations (*D.I.A.* p. 261). Jan. 9, British communiqué issued regarding note (see p. 541 above). Jan. 12, Chinese reply to note (*D.I.A.* p. 262). Jan. 16, Japanese reply (*D.I.A.* p. 264).

Jan. 18 and 20. Collisions between Chinese and Japanese at Shanghai.

Jan. 21. League Commission of Inquiry met at Geneva. Lord Lytton elected Chairman. The commission reached Tokyo on Feb. 29 and Shanghai on March 14, and proceeded to Manchuria *via* Nanking and Peiping.

Jan 28/29. Japanese forces attacked Chapei and Hongkew district of Shanghai.

Jan. 29. Chinese Government appealed to League of Nations under Arts. 10 and 15 of Covenant as well as under Art. 11.

Jan. 29. British and U.S. consuls at Shanghai arranged truce as from Jan. 29 and meeting between representatives of China and Japan on Jan. 31. Their proposal for neutral zone was rejected by Japanese Government on Feb. 2.

Feb. 1. Japanese warships bombarded Nanking. Chinese Government withdrew to Loyang.

Feb. 2. Special meeting of League Council. Statement by Mr. Thomas.

Feb. 2. British and U.S. Governments made proposals for peaceful settlement, which were accepted by Chinese Government on Feb. 3, but rejected by Japanese Government on Feb. 4.

Feb. 3. Japanese offensive continued against Chapei and Woosung.

Feb. 7. Japanese statement of policy issued.

Feb. 12. Chinese Government informed Secretary-General of League that they would refer Sino-Japanese dispute to Assembly unless the Council should do so on its own initiative.

Feb. 16. Committee of Twelve Members of Council sent note to Japan (*D.I.A.* p. 269). Feb. 23, Japanese reply (*D.I.A.* p. 271).

Feb. 16-17. Conference of Provincial Governors at Mukden. Feb. 17, North-Eastern Administrative Committee set up. Feb. 18, declaration of independence published. Feb. 29, 'All Manchuria Convention' conferred Provisional Presidency on Mr. Henry Pu Yi. March 9,

China: cont.

- State of 'Manchukuo' inaugurated at Hsinking (Changchun).
March 12, 'Manchukuo' asked other states for recognition.
- Feb. 18. Meeting between Chinese and Japanese commanders at Shanghai failed to avert Japanese ultimatum demanding that Chinese should withdraw 20 kilometres from International Settlement boundary by Feb. 20.
- Feb. 19. League Council appealed to Japanese Government to extend time-limit, and adopted resolution convening Assembly.
- Feb. 20. Renewed Japanese attack in Kiangwan and Woosung areas.
- Feb. 23. Letter from Mr. Stimson to Senator Borah on non-recognition doctrine and inter-dependence of Washington Treaties (*D.I.A.* p. 278).
- Feb. 28. Admiral Kelly arranged meeting on H.M.S. *Kent* between Chinese and Japanese leaders who agreed provisionally on conditions for the cessation of hostilities. These were, however, not put into effect.
- Feb. 29. Sir John Simon made statement to League Council on *Kent* conversations. Council proposed conference at Shanghai.
- March 1-3. Chinese troops withdrew outside 20 kilometre limit. Japanese troops advanced to line north-west of Shanghai.
- March 2. British statement on policy in House of Commons.
- March 2. Japanese peace terms laid before Admiral Kelly. March 3, further Sino-Japanese meeting on H.M.S. *Kent*. Chinese Government rejected terms. March 9, renewed negotiations. March 24, conference opened at Shanghai. April 27, both parties accepted terms of armistice agreement. May 5, agreement signed (*Cmd.* 4077). May 31, Japanese withdrawal of troops completed.
- March 3. Special session of Assembly opened. March 11, resolution adopted on non-recognition doctrine and appointment of Committee of Nineteen (*D.I.A.* p. 284). March 12, statement by Mr. Stimson regarding resolution. March 16, first meeting of Committee of Nineteen. April 19, Committee made proposal regarding withdrawal of troops from Shanghai which was rejected by Japan. April 30, Plenary session of Assembly noted draft armistice agreement.
- March-April. Japanese military expedition on Sungari river.
- April 20-June 4. Lytton Commission visited Manchuria.
- May. Japanese advance into Mutan valley.
- May-Aug. Campaign north of Harbin against General Ma Chan-shan.
- June 24. Committee of Nineteen agreed to recommend extension of time limit for Assembly report. President of Assembly sent notes to China and Japan. July 1, Assembly agreed to await report of Lytton Commission.
- July-Aug. Fighting in S.W. Jehol.
- July 4-15. Lytton Commission visited Japan.
- July 18. Count Uchida, Japanese Foreign Minister, stated that Japan would eventually recognize 'Manchukuo'.
- July 26. General Muto appointed as chief Japanese civil and military representative in Manchuria.

China: cont.

- Aug. 6. Mr. Stimson referred to Sino-Japanese conflict in speech on Paris Pact.
- Aug. 25. Speech before Imperial Diet by Count Uchida on recognition of 'Manchukuo' (*The Times*, Aug. 25, 1932).
- Sept. 4. Lytton Report signed at Peiping. Oct. 2, Report published at Geneva (*L. of N.* 1932. vii. 4).
- Sept. 15. Treaty signed between Japan and 'Manchukuo' regarding recognition and political relations (see p. 462 above). Japanese Government issued statement (*M.G.* Sept. 16, 1932).
- Sept. 17. Chinese Government appealed to President of Special Assembly and to signatories of Nine-Power Treaty against Japanese recognition of 'Manchukuo'.
- Sept. 27. General Su Ping-wen occupied Manchuli. Dec. 5, Japanese troops crossed Khingan range and General Su's forces retreated into Soviet territory where they were interned.

(b) Relations with Foreign States other than Japan.

- 1932, Dec. 12. Diplomatic relations re-established with U.S.S.R.
- Dec. 15. Ratifications exchanged with U.S.A. of arbitration treaty of June 27, 1930 (*U.S.T.S.* 857).

Colombia

- 1932, Jan. 11-13. Exchange of notes with Panamá effecting agreement as to mixed frontier demarcation commission.
- March 18. Arbitration and conciliation treaty signed with Italy.
- April 6. Exchange of notes of Feb. 2 and April 6 with Venezuela effecting frontier agreement.
- July 5. Ratifications exchanged with Sweden of conciliation treaty of Sept. 13, 1927 (*L.N.T.S.* 132).
- Sept. 1. Peruvians captured Leticia, a town in territory ceded by Peru to Colombia.
- See also under *Bolivia*; *Permanent Court of International Justice*, Jan. 6.

Conferences, International

- 1932, Sept. 3-Dec. 9. 'Telecommunications' Conference held at Madrid. Conventions signed regarding radiotelegraphy, &c.
- Oct. 21-6. Third Balkan Conference held at Bucharest. Oct. 25, withdrawal of Bulgarian delegation, owing to disagreement over minorities question. Oct. 26, remaining delegations approved draft Balkan Pact.

*Cuba. See under Bolivia.**Czechoslovakia*

- 1932, Feb. 8. Ratifications exchanged with Yugoslavia and Rumania of agreement of April 25, 1930, regarding Fund B.
- Sept. 16. Ratifications exchanged with Turkey of arbitration, conciliation and judicial settlement treaty of March 17, 1931 (*L.N.T.S.* 133).

Czechoslovakia: cont.

See also under *Disarmament*; *Europe*; *France*, July 13; *Inter-Governmental Debts*, Jan. 21, May 6 *seqq.*, June 29, Nov. 21 *seqq.*; *League of Nations*, Sept. 26; *Little Entente*.

Danubian States. See under *Europe*.*Danzig*

Jan. 14. High Commissioner gave three decisions on railway questions.
Oct. 25, Polish decree issued that all railway charges in Free State must be paid in Polish currency. High Commissioner referred question to League Council. Nov. 26, agreement signed regarding withdrawal of decree and other matters.

Jan. 29. League Council advised direct negotiations on question of entry of warships into Danzig harbour. No agreement was reached by 1st May when provisional regulations issued by High Commissioner expired. Aug. 12, agreement signed.

Jan. 29. Council referred question of Polish use of port of Danzig back to Jurists' Committee which submitted a report on April 8. May 10, Council adopted report and asked High Commissioner to collect further information. Traffic through Gdynia during May for the first time exceeded traffic through Danzig. Sept. 14, Expert Committee appointed to advise High Commissioner completed its report.

Feb. 4. Permanent Court of International Justice gave advisory opinion regarding treatment of Poles in Danzig (*P.C.I.J.*, Series A/B, No. 44). Nov. 26, agreement signed.

Feb. 11. M. Strasburger, Polish Commissioner, resigned and was succeeded by M. Pappee.

March 29. High Commissioner gave decision regarding tariffs and 'passive finishing trade'. Nov. 10, negotiations began on tariff questions, but were broken off on Nov. 16. Nov. 21, decisions given by High Commissioner (Summary, *The Times*, 23 Nov., 1932). Poland appealed to League Council.

Aug. 12. Agreement signed with Poland for discontinuance of Polish boycott of Danzig and mutual efforts to counteract unfriendly manifestations. Agreement also signed regarding *port d'attache*.

Sept. 30. Death of Count Gravina, League High Commissioner.

Oct. 15, M. Helmer Rosting appointed Acting High Commissioner.

Denmark

1932, July 12. Norway proclaimed annexation of Frederick VI Land in S.E. Greenland. July 18, Danish and Norwegian Governments referred dispute to Permanent Court of International Justice. Norwegian Government asked the Court for interim measures of protection for Norwegian nationals in disputed area. After a public hearing on July 28 the Court made an order on Aug. 3 dismissing the request. Nov. 22, Court began hearings of E. Greenland case.

See also under *Belgium*, Jan. 23.

Disarmament and Security

- 1932, Feb. 2. Disarmament Conference opened at Geneva.
- Feb. 5. French proposals laid before Conference.
- Feb. 8-24. General discussion. Speeches by Sir John Simon and M. Tardieu on Feb. 8, by Mr. Gibson and Dr. Brüning on Feb. 9, by Signor Grandi and Mr. Matsudaira, on Feb. 10, and by M. Litvinov on Feb. 11. Detailed German proposals submitted on Feb. 18.
- Feb. 25. General Commission set up Military, Naval, Air, National Expenditure and Political Commissions.
- Feb. 25 and 28. Franco-German conversations.
- March 8. General Commission adopted co-ordinating table of draft convention and subsequent proposals and list of questions to be examined by Commissions.
- April 11-13. General Commission discussed Art. I of Preparatory Commission's draft convention.
- April 11. Mr. Gibson proposed draft resolution on qualitative disarmament (see p. 217 above).
- April 14. French memorandum issued on internationalization of civil aviation (*E.N.* Sept. 24, 1932).
- April 15. Conversation between Mr. Stimson and Monsieur Tardieu in Paris.
- April 19. General Commission adopted resolution on progressive reduction of armaments. April 20, resolution adopted on criteria for limitation or reduction in accordance with Art. 8 of Covenant and geographical situation and circumstances of each State (*L.N.M.S.* April 1932).
- April 21. Conversations between representatives of France, Germany, Great Britain, Italy and U.S.A.; continued after April 22 between Mr. MacDonald, Mr. Stimson, and Dr. Brüning.
- April 22. General Commission adopted resolution on qualitative disarmament (*L.N.M.S.* April 1932), and on April 26 suspended its meetings to await outcome of private conversations and special commissions' reports on qualitative disarmament.
- April 27. It was announced that illness prevented M. Tardieu from taking part in Geneva conversations.
- May 10. General Committee set up Technical Committee on Effectives and Committee on Chemical and Bacteriological Warfare.
- June 13. Franco-British conversations, followed during the next week by conversations between the Great Powers.
- June 14. Further German proposals laid before Bureau.
- June 21. Meeting between Mr. Gibson and M. Herriot at Morges.
- June 22. U.S. proposals put forward by Mr. Hoover at Washington and by Mr. Gibson at Geneva.
- July 7. British declaration issued regarding Hoover proposals (*Cmd.* 4122).
- July 7-8. Further discussion by General Commission.
- July 20-2. General Commission discussed and adopted resolution on work of Conference presented by Dr. Beneš as *rapporteur*. July 22, Herr Nadolny stated that future German collaboration in the

Disarmament and Security: cont.

- Conference would depend on the recognition of equality of rights (*L.N.M.S.* July 1932).
- July 23. Plenary Conference adopted Chapter 5 of above resolution proposing extension of armaments truce from Nov. 1, 1932, to March 1, 1933.
- July 26. Speech by General von Schleicher on equality of rights.
- Aug. 6. Speech by Mr. Stimson on Paris Pact to Council on Foreign Relations (*Foreign Affairs* (New York), vol. ii, No. 1, 1932, special supplement).
- Aug. 29. German memorandum on equality of rights presented to France (*D.I.A.* p. 185).
- Sept. 11. French reply to German memorandum (*E.N.* Sept. 24, 1932).
- Sept. 14. German Government informed President of Conference that Germany would not be represented at forthcoming meeting of Bureau.
- Sept. 18. British statement on question of German claim to equality issued (*The Times*, Sept. 19, 1932).
- Sept. 21. Bureau of Conference set up Committee on Manufacture and Trade in Arms which met from Oct. 4-10. It was stated that U.S.S.R. would not attend technical commissions till General Commission had taken decisions on questions of principle. Sept. 26, Bureau adjourned until Oct. 13.
- Oct. 4. It was stated that the British Government had invited the Governments of France, Germany and Italy to a conference in London and that the German and Italian Governments had accepted, the former with reservations.
- Oct. 15. It was stated that the French Government had agreed to attend Conference at Geneva: the German Government refused to do so.
- Oct. 26. Statement by M. Herriot to Chamber of Deputies on new French proposals.
- Nov. 4. M. Paul-Boncour laid new French proposals before Bureau.
- Nov. 14, text of plan issued (*E.N.* Feb. 18, 1933).
- Nov. 10. Statement in House of Commons by Sir John Simon and speech by Mr. Baldwin on air armaments.
- Nov. 17. Sir John Simon submitted new proposals to Conference Bureau (*Cmd.* 4189).
- Dec. 2-5. Conversations at Geneva between representatives of France, Great Britain, Italy and U.S.A. Dec. 6-11, German representative took part in conversations. Dec. 11, Five-Power declaration signed, enabling Germany to return to Conference.
- Dec. 5. Japanese naval disarmament proposals issued.
- Dec. 14. General Commission met, German delegates being present, and subsequently adjourned till Jan. 31, 1933.

Egypt

- 1932, Aug. 24. Ratifications exchanged with U.S.A. of arbitration and conciliation treaties of Aug. 27, 1929 (*U.S.T.S.* 850, 851).

Estonia

1932, May 4. Non-aggression pact signed with U.S.S.R. (*Soviet Union Review*, June 1932). June 16, conciliation convention signed. Ratifications exchanged Aug. 18.

See also under *Inter-Governmental Debts*, May 23, Sept. 14, Dec. 15.

Europe

1932, Feb. 12-13. Conference held at Bucharest regarding economic co-operation among Successor States. Feb. 22, after further negotiations at Brno, the proposal was made to hold an official conference on the economic *rapprochement* of Poland and the Danubian States.

March 5. French Government presented memorandum to British, German and Italian Governments regarding closer union between Danubian States (Text of 'Tardieu Plan', *The Times*, March 18, 1932).

March 7. Italian Government replied to French memorandum.

March 16. Bulgaria asked to be included in scheme.

March 16. British Government issued statement regarding plan.

German reply to memorandum, suggesting that France, Germany, Great Britain, and Italy should be included (*E.N.* April 2, 1932).

March 22. Statement by Dr. Beneš that Czechoslovakia would take part in negotiations on economic questions only (*E.N.* April 2, 1932).

March 23. Dr. Walko, Hungarian Foreign Minister, stated that his Government would agree to negotiations.

March 26. British Government invited French, German and Italian Governments to a Conference in April.

March 31. Dr. Buresch stated that Austria would accept plan.

April 4. Conversations between M. Tardieu and Mr. MacDonald in London.

April 4-6. Four-Power conference met in London but failed to reach agreement.

April 16-20. International Chamber of Commerce held conference at Innsbruck on Danubian question. May 19-20, Further conference on financial problems held at Munich.

July 12. Lausanne Conference set up committee to prepare for Central European Conference.

Aug. 27. Final session of Conference of Central and East-European Agrarian States at Warsaw (Text of recommendations, *E.N.* Oct. 15, 1932).

Sept. 5-20. Conference for the financial and economic reconstruction of Central and Eastern Europe held at Stresa (*E.N.* Oct. 15, 1932).

Sept. 30-Oct. 1. Sixth session of Commission of Inquiry for European Union discussed work of Stresa Conference and requested League Council to examine proposal for monetary normalization fund (*E.N.* Oct. 15, 1932). Oct. 15, Council referred question to expert committee (Text of report, *L. of N.* ii A. 23).

Finland

1932, Jan. 21. Non-aggression pact signed with U.S.S.R. April 22, conciliation convention signed. Ratifications exchanged Aug. 9 (*E.N.* Feb. 20, 1932).

Finland: cont.

- Feb. 5. Ratifications exchanged with Iceland of Thingvellir pacific settlement treaty of June 27, 1930.
- Feb. 23. Lapuans gathered at Mäntsälä intending to march on Helsinki but were dispersed on March 6.
- Sept. 30. Agreement signed with Great Britain for arbitration of Finnish claims in respect of vessels used during the War (*Cmd.* 4179).
- See also under *Inter-Governmental Debts*, May 23, Dec. 15.

France

- 1932, Jan. 12. Resignation of M. Laval's Government. Jan. 14, M. Laval returned to office as Premier and succeeded M. Briand as Foreign Minister.
- Feb. 16. Resignation of M. Laval. Feb. 21, M. Tardieu took office as Premier and Foreign Minister.
- March 7. Death of M. Briand.
- April 19. Permanent Court of International Justice began hearings of Savoy Free Zones case. June 7, judgement given by 6 votes to 5 that France must maintain Free Zones and withdraw customs line by Jan. 1, 1934 (*P.C.I.J.*, Series A/B, No. 46).
- May 1-8. Radical and Socialist parties successful in general election.
- May 6. Assassination of President Doumer. May 10, M. Lebrun elected President; resignation of M. Tardieu. June 4, M. Herriot took office as Premier and Foreign Minister.
- June 24. Ratifications exchanged with Sa'ūdī Arabia of friendship treaty of Nov. 10, 1931 (*J.O.F.* Aug. 12, 1932).
- July 13. Franco-British declaration ('consultative pact') issued regarding future European co-operation (*Cmd.* 4131). Belgium and Italy had acceded to the declaration by July 15, and Germany did so on July 25. By Sept. 23 notice of accession had also been given by Albania, Austria, Bulgaria, Czechoslovakia, Greece, Hungary, Jugoslavia, Netherlands, Norway, Poland, Rumania, Spain and Sweden.
- July 27. Ratifications exchanged with Spain of arbitration and friendship treaty of July 10, 1929 (*J.O.F.* Aug. 3, 1932).
- July 31. Exchange of notes with Persia prolonging provisional agreement of May 11, 1928, till Feb. 1, 1933 (*L.N.T.S.* 126).
- Oct. 10. Agreement signed with Great Britain and 'Irāq transferring certain rights and obligations from Great Britain to 'Irāq (*Cmd.* 4220).
- Oct. 27. Conventions signed with Turkey regarding (1) Syro-Turkish frontier questions, (2) Alexandretta-Nisibin Railway (*E.N.* July 8, 1933).
- Oct. 28. Declaration signed with Jugoslavia renewing treaty of Nov. 11, 1927 (*J.O.F.* Jan. 7, 1933).
- Nov. 29. Non-aggression and conciliation treaties signed with U.S.S.R. (*E.N.* Dec. 3, 1932).
- Dec. 14. M. Herriot resigned on war debts question. Dec. 18, M. Paul-Boncour took office as Premier and Foreign Minister.
- See also under *Abyssinia*, Feb. 19; *Austria*, May 9; *Disarmament*; *Europe*; *Inter-Governmental Debts*; *Lithuania*, Feb. 6.

Germany

- 1932, March 13. Presidential election. President Hindenburg failed to secure absolute majority over Herr Hitler, Herr Thälmann (Communist), Lieut-Col. Dösterberg (Nationalist) and Herr Winter, but was re-elected on the second ballot held on April 10.
- April 24. Elections for Prussian Diet. Nazis gained 162 seats out of 422.
- May 9-12. Reichstag session held. May 12, General Groener, Defence Minister, resigned.
- May 30. Dr. Brüning's Government resigned over question of emergency decrees and land settlement policy. June 2, Herr von Papen took office. June 4, Reichstag dissolved.
- May 30. Nazis gained absolute majority in Oldenburg Diet on May 30, and majority in Mecklenburg Diet on June 5.
- July 20. Reich Government dismissed Prussian Government and appointed Reichskommissar.
- July 26. Exchange of notes with Great Britain regarding dissolution of Anglo-German Mixed Arbitral Tribunal (*Cmd.* 4160). July 26-7, exchange of notes regarding liquidation of German property (*Cmd.* 4172).
- July 30. Nazis won 230 seats in general election and Communists 89 seats; no party had clear majority.
- Aug. 13. Herr Hitler refused President Hindenburg's invitation to join the Government, because his demand for chancellorship was not complied with.
- Aug. 30. Reichstag reopened and was dissolved on Sept. 12 before a vote of censure was passed on the Government.
- Sept. 23. Herr von Hoesch, Ambassador in Paris, appointed to London, succeeding Baron von Neurath, and was succeeded by Herr Köster.
- Oct. 1. Armoured cruiser C. laid down.
- Nov. 6. General election. Nazis won 196 seats and Communists 100 seats; no party had clear majority.
- Nov. 17. Papen-Schleicher Government resigned. Nov. 21, President Hindenburg saw Herr Hitler, who again demanded the chancellorship.
- Dec. 4. General von Schleicher formed a Government with Baron von Neurath as Foreign Minister. Dec. 6-9, session of Reichstag.
- Dec. 30. Arbitration and conciliation treaty signed with Uruguay.
- See also under *Chile*, June 30, Sept. 13; *Disarmament*; *Europe*; *France*, July 13; *Inter-Governmental Debts*; *Lithuania*, Feb. 6.

Great Britain

- See under *Abyssinia*, Feb. 19; *Austria*, May 9; *British Empire*; *Chile*, Sept. 13; *China* (a); *Disarmament*; *Europe*; *Finland*, Sept. 30; *France*, July 13, Oct. 10; *Germany*, July 26; *India*, Nov. 17; *Inter-Governmental Debts*; *Irāq*, July 8; *Lithuania*, Feb. 6; *Monetary and Economic Conference*, July 13; *Norway*, Aug. 19; *Persia*, Nov. 27; *Salvador*; *Sweden*, Aug. 9; *U.S.A.*

Greece

- 1932, Jan. 4. Friendship, arbitration and conciliation treaty signed with Poland. Ratifications exchanged July 2 (*L.N.T.S.* 131).
 Feb. 17-28. Sir O. Niemeyer visited Athens on behalf of the League Financial Committee which issued a report on March 23 (*Messenger d'Athènes*, April 6-7, 1932).
 April 7. Exchange of notes with Turkey regarding Graeco-Turkish Mixed Commission.
 April 15. M. Venizelos made proposal to League Council for five years suspension of public debt sinking fund and postponement of interest on foreign loans due in May. April 21, Council discussed Financial Committee's report proposing loan and transfer moratorium for a year.
 April 27. Gold standard suspended.
 May 21. M. Venizelos resigned. May 26, M. Papanastassiou took office but resigned on June 3. M. Venizelos returned to office on June 5.
 Sept. 23. Ratifications exchanged with U.S.A. of arbitration and conciliation treaties of June 19, 1930 (*U.S.T.S.* 853, 854).
 Sept. 25. General election. Oct. 4, M. Tsaldaris, leader of Popular Party, made declaration regarding maintenance of republican régime. Oct. 30, M. Venizelos resigned. Nov. 4, M. Tsaldaris took office.
 See also under *Bulgaria*, Jan. 31, March 8; *France*, July 13; *Inter-Governmental Debts*.

Haiti

- 1932, Sept. 3. Treaty and two protocols regarding financial control and 'Haitianization' of *Garde* signed with U.S.A., but rejected by Haitian Legislature on Sept. 15 (*U.S.D.* Sept. 9, 1932).

Hungary

- 1932, June 13. Exchange of notes with Persia prolonging provisional agreement of June 19, 1929, till Sept. 19, 1932.
 See also under *Europe*; *France*, July 13; *Inter-Governmental Debts*.

Iceland

- 1932, Feb. 6. Ratifications exchanged with Norway on Feb. 6 and with Sweden on Feb. 10 of pacific settlement treaties of June 27, 1930 (*L.N.T.S.* 126 and 127).
 See also under *Finland*, Feb. 5.

India

- 1932, Feb. 4. Agreement signed regarding position of Indians in South Africa.
 March 14. Exchange of notes of July 17, 1931, and March 14, 1932, with Siam regarding frontier between Burma (Kengtung) and Siam (*Cmd.* 4112).
 Nov. 17-Dec. 24. Third session of Round Table Conference (*Cmd.* 4238).
 See also under *Afghanistan*, July 18; *British Empire*.

Inter-Governmental Debts

- 1931, Dec. 21. It was announced that all Governments concerned had accepted British suggestion that Reparations Conference should be held at Lausanne on Jan. 18, 1932.
- 1932, Jan. 5-6. Franco-German conversations.
- Jan. 8-11. Conversations between British and French Treasury experts.
- Jan. 8. Dr. Brüning stated that at Lausanne he would ask for final suspension of reparations, and that, failing an agreement, he would make a unilateral declaration as to future policy.
- Jan. 10. Statement by Mr. MacDonald. British Government proposed to postpone Conference till Jan. 25.
- Jan. 11 and 12. Statements by Italian and French Governments.
- Jan. 15. Italo-British conversations in London.
- Jan. 16. It was announced that Powers had agreed to propose extension of Hoover moratorium followed by adjournment of Conference. Conversations between M. Laval and U.S. Ambassador regarding moratorium.
- Jan. 19. Dr. Brüning rejected proposal for extension of moratorium.
- Jan. 19. Statement by M. Laval in Chamber of Deputies. Further statement made on Jan. 22.
- Jan. 20. British Government announced postponement of Conference.
- Jan. 21. Two protocols signed concerning reparations moratorium for Bulgaria and Hungary (*Cmd.* 4052 and 4071).
- Jan. 25. Further conversations between Lord Tyrrell and M. Flandin.
- Feb. 12. Franco-British agreement reached regarding preparation for Conference at Lausanne in June on reparations and other economic questions. Feb. 13, all interested States accepted British invitation to conference.
- Feb. 23. Statement by M. Tardieu in Chamber of Deputies.
- May 6. Hague agreement of Jan. 20, 1930, regarding Czechoslovak obligations came into force on deposit of ratifications (*Cmd.* 3765).
- May 11. Speech by Dr. Brüning in Reichstag asking for cancellation of reparations.
- May 11. Hague agreement of Jan. 20, 1930, between creditor Powers regarding Liberation debts and non-German reparations came into force on deposit of ratifications (*Cmd.* 4146).
- May 23. U.S.A. signed agreement with Finland regarding Hoover moratorium. Similar agreements signed with Greece and Germany before May 26, with Great Britain and Italy on June 4, with Hungary before June 6, with Lithuania on June 9, with Belgium, France, Latvia and Rumania on June 11, with Estonia on June 14, and with Poland on June 15.
- June 6. Creditor Powers signed protocol with Germany supplementary to Hoover moratorium protocol of Aug. 11, 1931 (*Cmd.* 4206).
- June 8. Mr. Stimson stated that U.S. Government was opposed to war debt cancellation and was not concerned with reparations.
- June 21, further statement by Mr. Stimson that U.S. representatives had had no connexion with Lausanne Conference.
- June 11-13. Conversations between Mr. MacDonald, Sir John Simon, and M. Herriot in Paris.

Inter-Governmental Debts: cont.

- June 16. Lausanne Conference opened. Mr. MacDonald elected President. Declaration signed by Belgium, France, Great Britain, Italy and Japan suspending reparation and war debt payments during conference. June 21-3, Franco-British conversations. French proposal made for suspension and reduction of payments. June 24, Franco-German conversations began. Germany proposed cancellation, trade negotiations with France, and contribution to European reconstruction fund. June 27, Italian memorandum issued. June 28, Anglo-Franco-German discussion. June 29, German communiqué issued asking for removal of Versailles Treaty political discriminations. Meeting of inviting Powers; Executive Bureau set up. Statement by Mr. MacDonald on progress. June 30, proposal by M. Herriot for reconstruction fund. July 2, Belgium, France, Great Britain and Italy signed 'Gentlemen's Agreement' on ratification of Lausanne agreements (*Cmd.* 4129). Creditor Powers completed draft 'reconstruction payment' scheme. July 3, scheme presented to Germany and counter-proposal made. July 8, agreement reached; British letters to France and Italy about war debts (*Cmd.* 4129). July 9, Final Act of Conference signed, together with (1) agreement with Germany; (2) Creditor Powers' agreement on transitional measures; and resolutions on non-German reparations, Central and Eastern Europe, and World Economic Conference (*Cmd.* 4126). July 11, Reich cabinet approved Chancellor's report on Lausanne. Statement by Chancellor to press (*F.Z.* July 12, 1932). July 12, statement by Mr. MacDonald in House of Commons (*The Times*, July 13, 1932). July 17, speech by M. Herriot in French Chamber on Conference and Franco-British consultative agreement (*Le Temps*, July 18, 1932). (See also *E.N.* July 16 and 30, 1932, for texts of agreements and other documents.)
- June 28. Great Britain signed supplementary protocols regarding Hoover moratorium with Greece and Rumania on June 28, with France and Portugal on June 29, with Italy on June 30, and with Belgium on July 5 (*Cmd.* 4206).
- June 29. Creditor Powers signed supplementary protocols regarding Hoover moratorium with Czechoslovakia on June 29 and with Bulgaria and Hungary on July 7 (*Cmd.* 4206).
- July 1. Greece postponed payment of sinking fund on debt to U.S.A.
- Sept. 14. U.S. Treasury announced that Estonia, Latvia and Poland would take advantage of agreement allowing postponement of sinking fund payments.
- Sept. 30. Postponement of German payments of war claims and occupation costs.
- Nov. 10. British note to U.S.A. regarding extension of moratorium. (*Cmd.* 4192).¹
- Nov. 10. Hungarian request to U.S.A. for postponement of payment. Greece did not pay non-postponable instalment.
- Nov. 11. French note to U.S.A. (*The Times*, Nov. 14, 1932).

¹ This and other communications between U.S.A. and debtor states were published in the *Press Releases* of the U.S. Department of State.

Inter-Governmental Debts: cont.

- Nov. 15. Belgian note to U.S.A. (*The Times*, Nov. 14, 1932).
- Nov. 21. Czechoslovak note to U.S.A. (*U.S.D.* Nov. 22, 1932).
- Nov. 22. Polish memorandum to U.S.A. (*E.N.* Jan. 21, 1933).
- Nov. 22. Conversations between President Hoover and Mr. Roosevelt, each of whom issued a statement on Nov. 23 (*P.R.* Nov. 26, 1932, and *N.Y.T.* Nov. 24, 1932).
- Nov. 23. U.S. notes to France (*U.S.D.* Nov. 26, 1932) and Great Britain (*Cmd.* 4203). Nov. 24, U.S. note to Belgium identical with note to France.
- Nov. 26. U.S. notes to Czechoslovakia and Poland (*E.N.* Jan. 21, 1933).
- Nov. 28. Latvian request for postponement.
- Dec. 1. U.S. Treasury announced suspension of Austrian debt payments due on Jan. 1.
- Dec. 1. French and British notes to U.S.A. (*Le Temps*, Dec. 3, 1932, and *Cmd.* 4210).
- Dec. 7. Second Czechoslovak note (*E.N.* Jan. 28, 1933).
- Dec. 7. Second Belgian note (*U.S.D.* Dec. 9, 1932).
- Dec. 7. U.S. counter-reply to Great Britain (*Cmd.* 4211).
- Dec. 8. Second Polish note to U.S.A. (*N.Y.T.* Dec. 10, 1932).
- Dec. 8. U.S. counter-reply to France (*N.Y.T.* Dec. 10, 1932); MacDonald-Herriot conversations in Paris.
- Dec. 9. M. Herriot made statement to Finance and Foreign Affairs Committees of Chamber of Deputies.
- Dec. 11. Third British note and U.S. reply (*Cmd.* 4215 and 4216).
- Dec. 12. Final British note (*Cmd.* 4217).
- Dec. 12. Lithuanian memorandum presented to U.S. Government. (*P.R.* Dec. 17, 1932).
- Dec. 12. M. Herriot made further statement in Chamber of Deputies in favour of making payment. Dec. 13-14, debate ending in defeat of Government.
- Dec. 13. Final U.S. notes to Belgium and Czechoslovakia. Dec. 15, Czechoslovak reply (*P.R.* Dec. 17, 1932).
- Dec. 14. Belgium and Poland notified U.S.A. that they would make no payment. Dec. 15, France notified U.S.A. that Chamber had refused to sanction payment (*E.N.* Jan. 21, 1933).
- Dec. 15. Czechoslovakia, Finland, Great Britain, Italy, Latvia and Lithuania made war debt payments to U.S.A. No payments were made by Belgium, Estonia, France, Hungary and Poland.
- Dec. 15. Bulgarian reparations moratorium extended for six months.
- Dec. 16, Rumania accepted extension in return for suspension of relief bond payments.
- Dec. 17. President Hoover invited Mr. Roosevelt to co-operate with him in choosing representatives to investigate debt problem before opening of World Economic Conference (*P.R.* Dec. 24, 1932).
- Dec. 19. President Hoover sent message to Congress regarding co-operation with incoming administration and setting up of debt commission (*U.S.D.* Dec. 20, 1932).
- Dec. 19. Mr. Roosevelt replied that he would take no part in the negotiations until he came into office. Dec. 20-21, further exchange of telegrams (*P.R.* Dec. 24, 1932).

‘Irāq

- 1932, Jan. 28. League Council decided that mandate over ‘Irāq could be terminated as soon as ‘Irāq had given certain guarantees, especially regarding minorities, and had been admitted to membership of the League. A committee was appointed to draw up a declaration on the undertakings to be given by ‘Irāq. May 19, Council approved declaration (*L.N.O.J.* July 1932), and recommended that all States should renounce their capitulatory rights in ‘Irāq. All States concerned subsequently agreed to this proposal. July 13, Secretary-General informed Council that ‘Irāq had signed declaration of guarantee.
- April 26. Ratifications exchanged with Yaman of friendship treaty of May 11, 1931.
- May 10. Ratifications exchanged with Sa‘ūdī Arabia of friendship treaty and arbitration protocol of April 7, 1931, and of extradition treaty of April 8, 1931.
- July 8. Correspondence exchanged between Governments of Great Britain and U.S.A. regarding right of U.S.A. to be consulted with regard to future conditions of administration in ‘Irāq (*T.I.* Nov. 1932).
- Oct. 3. ‘Irāq admitted to membership of League of Nations.
- Nov. 5–8. Permanent Mandates Commission discussed situation in ‘Irāq and considered petitions from Assyrian minority.
- Nov. 25. Council adopted decision of Commission of Inquiry regarding frontier between ‘Irāq and Syria.
- Dec. 15. Council adopted resolution on land settlement in ‘Irāq with reference to the Assyrians.
- See also under *Afghanistan*, Dec. 20; *France*, Oct. 10; *League of Nations*, Sept. 26; *Norway*, Aug. 19; *Sweden*, Aug. 9.

Irish Free State. See under *British Empire*.

Italy

- 1932, Jan. 4. Agreement signed with Turkey regarding boundary between Castellorizo and the Anatolian coast.
- Feb. 2. Ratifications exchanged with Latvia of conciliation and judicial settlement treaty of April 28, 1931 (*L.N.T.S.* 126).
- Feb. 10. Italy recognized Sa‘ūdī Arabia. Treaty of friendship signed. Ratifications exchanged April 22.
- April 15. Conciliation and judicial settlement treaty signed with Luxembourg.
- May 24–9. İsmet Paşa and Tevfik Rüstü Beğ visited Rome. May 26, protocol signed with Turkey prolonging treaty of friendship, conciliation and judicial settlement for five years.
- June 3. Speech by Signor Grandi in Senate on foreign policy (*Corriere della Sera*, June 4, 1932).
- July 18. Friendship treaty with Rumania prolonged for six months.
- July 20. Resignation of Signori Grandi, Mosconi, Giuliano, Rocco, and Bottai from Ministries of Foreign Affairs, Finance, Education, Justice, and Cults and Corporations. Signor Mussolini retained

Italy: cont.

Ministries of Foreign Affairs and Corporations. Signor Rossoni became Secretary to Presidency of the Council. July 21, Signor Grandi appointed Ambassador in London.

July 30. Ratifications exchanged with U.S.A. of pacific settlement treaty of Sept. 23, 1931 (*U.S.T.S.* 848).

Nov. 16. Ratifications exchanged with Persia of friendship treaty of Sept. 5, 1929.

See also under *Abyssinia*, Feb. 19; *Austria*, May 9; *Colombia*, March 18; *Disarmament*; *Europe*; *France*, July 13; *Inter-Governmental Debts*; *Lithuania*, Feb. 6.

Japan

1932, Feb. 9. Assassination of Mr. Inouye.

Feb. 20. Seiyukai Party successful in general election.

March 5. Assassination of Baron Takuma Dan, director of Mitsui firm.

May 15. Assassination of the Premier, Mr. Inukai, and bomb outrages in Tokyo.

May 26. Admiral Saito formed a Government with General Araki as War Minister.

See also under *Abyssinia*, Aug. 26; *China (a)*; *Disarmament*; *Inter-Governmental Debts*; *Lithuania*, Feb. 6.

Jugoslavia

1932, April 2. Ratifications exchanged with Netherlands of arbitration, conciliation, and judicial settlement treaty of March 11, 1931 (*L.N.T.S.* 129).

April 4. General Zhivkovič resigned Premiership and was succeeded by Dr. Marinkovič.

July 2. Dr. Marinkovič resigned from Premiership and Foreign Ministry and was succeeded by Dr. Srškič.

See also under *France*, July 13, Oct. 28; *Inter-Governmental Debts*; *League of Nations*, Sept. 26; *Little Entente*.

Latvia

1932, Feb. 5. Non-aggression pact signed with U.S.S.R. (*E.N.* March 19, 1932). June 18, conciliation convention signed. July 28, ratifications exchanged of both agreements.

See also under *Inter-Governmental Debts*, May 23, Sept. 14, Nov. 28, Dec. 15; *Italy*, Feb. 2.

League of Nations

1932, Jan. 25–April 15. Sixty-sixth session of Council.

March 3–11. Special session of the Assembly met to consider the Sino-Japanese dispute. The session was continued on April 30, July 1, and Dec. 6–9.

April 12–30. Sixteenth session of International Labour Conference. Convention adopted on prohibition of employment of children in non-industrial occupations.

League of Nations: cont.

May 4–11. First session of Committee of Experts on Slavery. Aug. 22–30, second session held.

May 7. Death of M. Albert Thomas.

May 9–July 15. Sixty-seventh session of Council.

July 18. Turkey admitted membership by resolution of special Assembly.

Sept. 23–Oct. 3. Sixty-eighth session of Council.

Sept. 26–Oct. 17. Thirteenth session of Assembly. Mexico and 'Irāq admitted to membership. Czechoslovakia and Mexico elected to succeed Peru and Yugoslavia on Council, Poland re-elected. Constitution of Advisory Committee on Slavery approved.

Oct. 3–Dec. 19. Sixty-ninth session of Council.

Oct. 17. Council appointed M. Joseph Avenol, Deputy Secretary-General, to succeed Sir Eric Drummond as Secretary-General as from June 30, 1933. Dec. 9, Assembly confirmed appointment.

Nov. 3–Dec. 6. Twenty-second session of Permanent Mandates Commission.

Nov. 15. Permanent Court of International Justice gave advisory opinion that the International Labour Convention of 1919 on the employment of women during the night applied to women holding positions of supervision and management (*P.C.I.J.*, Series A/B, No. 50).

See also under *Austria*, Jan. 14, May 9; *Bolivia*; *Bulgaria*, Jan. 20; *China (a)*; *Danzig*; *Disarmament*; *Europe*, Sept. 30; *Greece*, Feb. 17, April 15; *'Irāq*, Jan. 28, Oct. 3 *seqq.*; *Lithuania*, Feb. 6; *Monetary and Economic Conference*; *Persia*, Nov. 27; *Poland*, Jan. 30; *Rumania*, July 18; *Syria*, Jan. 30.

Lithuania

1932, Feb. 6. Dismissal of Memel Directorate and arrest of Herr Böttcher its President. Feb. 8, German protest to League of Nations against alleged infraction of Memel Convention; Herr Böttcher released. Feb. 20, League Council adopted report virtually transferring question to France, Great Britain, Italy and Japan, as guarantors of Memel Convention. Feb. 27, Colonel Merkys, Lithuanian Governor of Memel, asked M. Simaitis to form directorate; this proved unacceptable to majority (German) parties, but took office on March 3. March 16, Guaranteeing Powers asked Lithuania to appoint directorate acceptable to *Landtag* and submit Böttcher case to arbitration. March 19, further representations made. March 22, *Landtag* dissolved by Colonel Merkys after vote of censure against Simaitis directorate. April 11, Guaranteeing Powers asked Permanent Court to give decision regarding legality of Herr Böttcher's dismissal. May 4, German parties successful in *Landtag* election. May 6, Colonel Merkys resigned. May 19, M. Gylys succeeded him. June 6, Dr. Scheiber formed directorate. June 8, Permanent Court began hearings of case. June 24, decision given regarding competence of court. Aug. 11, judgement given declaring that dismissal

Lithuania: cont.

of Herr Böttcher did not infringe terms of Statute of Memel (*P.C.I.J.*, Series A/B, Nos. 47 and 49).

Aug. 18. Financial agreement signed with Memel.

See also under *Belgium*, May 24; *Inter-Governmental Debts*, May 23, Dec. 12, Dec. 15.

Little Entente

1932, May 9. Convention signed renewing treaty of defensive alliance.

May 13-15, Conference held at Belgrade.

Dec. 18-19, Conference held at Belgrade. Decision taken to set up permanent council and secretariat.

Luxembourg. See under *Belgium*, Jan. 23, July 18; *Italy*, April 15.

Memel. See under *Lithuania*.

Mexico

1932, May 15. Diplomatic relations broken off with Peru because of alleged Communist propaganda by Mexican legation.

Sept. 3. General Abelardo Rodriguez succeeded Señor Ortiz Rubio as President.

Sept. 30. Papal Encyclical issued about position of Mexican Catholics (*N.Y.T.* Oct. 1, 1932). Oct. 2, President Rodriguez said that all Catholic churches would be closed if resistance continued.

Oct. 3, Protest by Papal Legate, Archbishop Leopoldo Ruiz y Flores. Oct. 4, Legate expelled from Mexico.

See also under *Bolivia*; *League of Nations*, Sept. 26.

Monetary and Economic Conference.

1932, July 9. Lausanne Conference adopted resolution in favour of convening Conference (*Cmd.* 4126).

July 13. British Government invited U.S. Government to take part in Conference and preliminary work of organization. The U.S. Government accepted this invitation on Aug. 2.

July 15. League Council passed resolution regarding convening of Conference and appointment of Organizing Committee of Council to take necessary decisions. It also adopted the decision of the Lausanne Conference that an expert commission should prepare a draft annotated agenda.

Oct. 31-Nov. 9. First session of Preparatory Commission for the Monetary and Economic Conference.

Najd-Hijāz. See *Sa'ūdī Arabia*.

Netherlands

1932, April 16. Arbitration and conciliation treaty signed with Turkey (*S.* No. 598, 1932).

See also under *Austria*, May 9; *Belgium*, Jan. 23, July 18; *France*, July 13; *Jugoslavia*, April 2.

New Zealand. See under *British Empire*.

Newfoundland. See under *British Empire*.

Norway

1932, Aug. 19. Exchange of notes with Great Britain of July 12 and Aug. 19 regarding capitulations in 'Irāq (*Ov.F.S.* No. 8, 1932).

Sept. 13. Ratifications exchanged with U.S.A. of treaty of friendship, commerce and consular rights of June 5, 1928, and additional article of Feb. 25, 1929, replacing treaty of July 4, 1927 (*U.S.T.S.* 852).

Oct. 4. Ratifications exchanged with Persia of friendship and commerce treaty of May 8, 1930 (*Ov.F.S.* No. 2, 1933).

See also under *Belgium*, Jan. 23; *Bulgaria*, Oct. 15; *Denmark*, July 12; *France*, July 13; *Iceland*.

Panamá. See under *Colombia*, Jan. 11-13.

Paraguay. See under *Bolivia*.

Permanent Court of International Justice.

1932, Jan. 6. Ratification of the protocol of signature of the Statute of the Court was deposited by Colombia on Jan. 6 and by Peru on March 29. Colombia signed the optional clause of the statute on Jan. 6. Ratifications of this clause were deposited by Abyssinia on April 15, by Persia on Sept. 19, and by Peru on March 29.

Feb. 4. Twenty-third (extraordinary) session closed.

Feb. 1-March 8. Twenty-fourth (ordinary) session held.

April 18-Aug. 11. Twenty-fifth (extraordinary) session held.

Oct. 14. Twenty-sixth (extraordinary) session began.

See also under *Bulgaria*, March 8; *Danzig*, Feb. 4; *Denmark*, July 12; *France*, April 19; *League of Nations*, Nov. 15; *Lithuania*, Feb. 6.

Persia

1932, Jan. 23. Frontier treaty and arbitration, conciliation and judicial settlement treaty signed with Turkey (Summary, *O.M.* March 1932).

Nov. 5, treaties signed with Turkey regarding (1) friendship; (2) neutrality and political and economic co-operation (*O.M.* Jan. 1933).

Nov. 27. Persian Government notified Anglo-Persian Oil Company of cancellation of D'Arcy concession of 1901. Dec. 2, British Minister at Teheran requested withdrawal of notification which was refused by Persian Government on Dec. 3. British Government renewed request on Dec. 8 and proposed to refer dispute to Permanent Court. Dec. 12, Persian reply, denying that dispute lay within competence of Court. Dec. 14, British Government referred dispute to League Council under Art. 15 of Covenant. Dec. 19, British memorandum laid before Council, which decided to postpone discussion till the January session. (Text of 1901 agreement and other documents, *L.N.O.J.* Dec. 1932.)

See also under *France*, July 31; *Hungary*, June 13; *Italy*, Nov. 16; *Norway*, Oct. 4; *Permanent Court of International Justice*, Jan. 6.

Peru. See under *Bolivia*; *Colombia*, Sept. 1; *League of Nations*, Sept. 26; *Mexico*, May 15; *Permanent Court of International Justice*, Jan. 6.

Poland

1932, Jan. 25. Non-aggression pact with U.S.S.R. initialled. July 25, pact signed for three years, renewable for two more years (*E.N.* March 9, 1932). Nov. 23, conciliation treaty signed.

Jan. 30. League Council adopted report on minorities in Eastern Galicia.

Nov. 2. M. Zaleski, Foreign Minister since 1926, resigned, and was succeeded by Colonel Beck.

See also under *Danzig*; *Europe*; *France*, July 13; *Greece*, Jan. 4; *Inter-Governmental Debts*; *League of Nations*, Sept. 26.

Portugal. See under *Inter-Governmental Debts*.

Rumania

1932, Jan. 6. Non-aggression pact negotiations opened with U.S.S.R. at Riga. Jan. 26, deadlock reached over Bessarabian question. Sept. 25, Rumanian Government stated that negotiations would continue. Nov. 10, U.S.S.R. rejected Rumanian proposal for arbitration of outstanding questions. Nov. 23, break-down of negotiations announced.

May 31. Professor Iorga's Government resigned. June 9, Dr. Vaida-Voivod took office.

July 17. National Peasant Party successful in general election.

July 18. Rumania asked League of Nations for technical assistance regarding finance. Sept. 5, Sir O. Niemeyer and other experts arrived in Bucharest. Oct. 7, Rumanian Government refused to sign protocol providing for financial control by League. Oct. 21, announcement that negotiations would be resumed.

Oct. 16. Dr. Vaida-Voivod resigned. Oct. 20, M. Maniu took office with M. Titulescu as Foreign Minister.

Dec. 29. Agreement reached with representatives of creditors suspending sinking fund payments on foreign loans till March 16, 1933.

See also under *Belgium*, April 4; *France*, July 13; *Inter-Governmental Debts*; *Italy*, July 18; *Little Entente*.

Salvador

1932, Feb. 25. Statement by Mr. Stimson regarding U.S. non-recognition of General Martinez' Government. Sept. 27, British recognition of Government.

Sa'ūdī Arabia

1932, June 24. Ratifications exchanged with Syria of friendship and *bon voisinage* treaty of Nov. 10, 1931 (*J.O.F.* Aug. 12, 1932).

Sept. 22. Kingdom of Najd-Hijāz renamed Sa'ūdī Arabia.

See also under *Afghanistan*, May 5; *France*, June 24; *Irāq*, May 10; *Italy*, Feb. 10.

Siam. See under *India*, March 14.

South Africa

1932, Dec. 29. Gold standard abandoned.

See also under *British Empire*; *India*, Feb. 4.

Southern Rhodesia. See under *British Empire*.

Spain

1932, Jan. 23. Decree signed dissolving Jesuit Order.

Aug. 10–11. Unsuccessful monarchist rising in Madrid and Andalusia.

Sept. 9. Cortes passed Catalan Statute. Sept. 15, President signed Statute. Nov. 20, Colonel Maciá's party (Esquerra) successful in general election. Dec. 14, Colonel Maciá elected Catalan President.

See also under *France*, July 13, July 27.

Stresa Conference. See under *Europe*.

Sweden

1932, June 30. Arbitral decision given in favour of U.S.A. in case arising from detention of Swedish vessels during the War.

Aug. 9. Exchange of notes with Great Britain regarding jurisdiction over Swedish nationals in 'Irāq.

See also under *Belgium*, Jan. 23; *Colombia*, July 5; *France*, July 13; *Iceland*.

Switzerland

1932, May 23. Ratifications exchanged with U.S.A. of arbitration and conciliation treaty of Feb. 16, 1931 (*U.S.T.S.* 844).

See also under *France*, April 19.

Syria

1932, Jan. 30. League Council decided to approve Anglo-French agreement of Oct. 31, 1931, regarding delimitation of frontier between Syria and the Jabal 'ud Duruz and Transjordan.

May 9. Lebanese constitution partially suspended (Text of decree *O.M.* June 1932).

See also under 'Irāq, Nov. 25; *Sa'ūdī Arabia*, June 24.

Transjordan. See under *Syria*, Jan. 30.

Turkey. See under *Czechoslovakia*, Sept. 16; *France*, Oct. 27; *Greece*, April 7; *Italy*, Jan. 4, May 24; *League of Nations*, July 18; *Netherlands*, April 16; *Persia*, Jan. 23.

United States of America

1932, July 6. Exchange of notes with Great Britain regarding convention of Jan. 2, 1930, relating to boundary between Philippine Islands and North Borneo. Dec. 13, ratifications exchanged of convention (*Cmd.* 4241).

United States of America: cont.

Nov. 8. Mr. Franklin D. Roosevelt elected President.

See also under *Bolivia*; *Chile*, Sept. 13; *China* (a), (b); *Disarmament*; *Egypt*; *Greece*, Sept. 23; *Haiti*; *Inter-Governmental Debts*, Jan. 16, May 23, June 8, July 1 *seqq.*; *Irāq*, July 8; *Italy*, July 30; *Monetary and Economic Conference*, July 13; *Norway*, Sept. 13; *Salvador*; *Sweden*, June 30; *Switzerland*, May 23.

U.S.S.R.

1932, Dec. 31. Completion of first Five-Year Plan.

See also under *China* (a), Sept. 27, (b), Dec. 12; *Disarmament*; *Estonia*; *Finland*, Jan. 21; *France*, Nov. 29; *Latvia*; *Poland*, Jan. 25; *Rumania*, Jan. 6.

Uruguay. See under *Albania*, April 23; *Argentina*; *Bolivia*; *Germany*, Dec. 30.

Vatican. See under *Mexico*, Sept. 30.

Venezuela. See under *Brazil*, May 9; *Colombia*, April 6.

Yaman. See under *Irāq*, April 26.

INDEX

- Abyssinia, 194 *n.*
 Adatei, Monsieur, 331, 346 *n.*
 Afghanistan—*see under* DISARMAMENT.
 Africa, East, British protectorates in, 465.
 Agrarian States—*see under* EUROPE: Economic situation.
 Akamatsu, Mr., 424.
 Albania, election in, 176. *See also under* DISARMAMENT.
 Albert, King of the Belgians, 39.
 Allenstein, 347 *n.*
 Ambassadors, Conference of, 324, 374–5.
 America, Latin: external debt of, 43; U.S. arms embargo and, 297 *n.*
 Anatolia: Graeco-Turkish battles in, 448 *n.*; Greek occupation of, 443.
 Andrew, Mr. G. F., 414.
 Apponyi, Count, 210, 255, 256.
 Araki, General, 427.
 Arbitration, 199; General Act (26.9.28), 276.
 Argentina: commercial relations of—
 with Chile and Germany, 18;—with
 Great Britain, 18, 30; exchange con-
 trol in, 12. *See also under* DISARMA-
 MENT.
 Australia, economic position of, 4, 95,
 532. *See also under* BRITISH EMPIRE;
 CHINA: Japan; DISARMAMENT; INTER-
 GOVERNMENTAL DEBTS; TARIFFS.
 Austria:
 Commercial policy of, 9, 12, 15, 22, 82.
 Financial situation: budget, 55; clear-
 ing agreements, 15, 82; Credit-An-
 stalt, failure of, 3, 51–2, 56, 98; cur-
 rency reserves, 53; exchange control,
 11, 15, 52–3, 72, 81, 88; League of
 Nations and,—(1922–3), 73, 75, 85,
 143–4, *see also under* loans;—(1932),
 52 *seqq.*, 77, 78–9, 83 *seqq.*, 90, 172;
 loans to—amount of, 54–5, 55–6, 84,
 88;—Bank for International Settle-
 ments credit, 53–4, 84;—recon-
 struction loan (1923), 44, 54, 73–7,
 79, 83, 86, 138–9, 144;—recon-
 struction loan (1932), 4, 54, 83–7, 90;
 Standstill Agreement, 53, 54–6, 80,
 172; transfer moratorium, 44, 54–5,
 73, 78–9, 84.
 France, relations with, 15, 84, 85.
 Germany: *Anschluss* with, 84, 85;
 clearing agreement with, 15; Cus-
 toms Union with, 23, 36, 84, 97–8,
 322.
 Government, change of, 53.
 Great Britain, financial relations with,
 53–4, 84, 85–6, 87.
 Hungary, commercial relations with,
 13, 15.
 Italy, relations with, 15, 54, 84, 86.
 Jugoslavia, commercial relations with,
 15.
 Netherlands, commercial relations
 with, 15.
 Poland: Austrian investments in,
 383 *n.*; commercial agreement with,
 15.
 Post-war situation of, 4, 186.
 Rumania, commercial agreement with,
 15.
 Switzerland, commercial relations
 with, 15.
 Trade balance, 55–6, 88.
 See also under: DISARMAMENT; EUROPE:
 Economic and Financial Situation;
 INTER-GOVERNMENTAL DEBTS; RE-
 PARATION: East European.
 Austria-Hungary: Hapsburg Monarchy,
 fall of, 183, 303 *and n.*, 304; pre-war
 debt of, 138, 144, 162 *n.*
 Aviation, civil: Disarmament Conference
 resolution on, 250; international con-
 trol of, proposals for, 215 *n.*, 230–1 *and*
n., 235–6 *n.*, 250;—France and, 197,
 198, 199, 230–1 *and n.*, 278;—Germany
 and, 204 *n.*, 230–1, 235–6 *n.*;—U.S.A.
 and, 231, 235–6 *n.*, 240; potential mili-
 tary use of, 192, 229, 235 *n.*, 236.
 Bachman, Monsieur, 87.
 Baker, Captain James, 413, 414, 415.
 Balbo, General, 254, 260.
 Baldwin, Mr. Stanley: and war debts,
 135; at Ottawa Conference, 27, 28; on
 air armaments, 189–90, 191, 192.
 Balfour, Earl of, 104 *n.*, 134 *and n.*, 549.
 Bank for International Settlements; 41,
 94; and reparations, 101, 111, 112 *and*
n., 148;—Special Advisory Committee,
 work of, 103, 106–7, 108, 109. *See also*
under AUSTRIA: Financial situation;
 GERMANY: Loans.
 Bank rate, 49, 59, 95.

- Bartel, Monsieur, 377-8.
 Beck, Monsieur, 393.
 Belgium: commercial policy of, 9, 10, 11, 16; debt conversion in, 95; elections in, 176; General War and, 183, 184; France, relations with, 1, 17, 247 n.; Germany, relations with, 1, 10-11; Great Britain, commercial relations with, 30; Hungary, commercial relations with, 16, 62; Poland, Belgian investments in, 383 n. *See also under* CHINA: Japan; DISARMAMENT; INTER-GOVERNMENTAL DEBTS; REPARATION: East European, German; TARIFFS.
 Benes, Dr. Eduard: and Disarmament Conference, 214, 215 *and n.*, 267, 274; —and July resolution of, 246, 248-9 *and n.*, 249, 252, 254, 255, 258; and Sino-Japanese dispute, 576; on Hague reparations agreements, 165 n.
 Bethlen, Count, 142.
 Blücher, General (Galenzt), 437.
 Blum, Monsieur Léon, 274 n.
 Bolivia: commercial policy of, 9; debt moratorium declared by, 44; exchange control in, 12; Paraguay, dispute with, 185 n.
 Bonnet, Monsieur Georges, 23.
 Borah, Senator; and arms embargo resolution, 297 n.; on French disarmament proposals, 200 n.; on treaty revision, 323; on war debts, 116 n., 274 n. *See also under* STIMSON, Mr.
 Borodin, Monsieur Michael, 536.
 Böttcher, Herr: appointed President of Memel Directorate, 401-2; arrest of, 402 *and n.*, 403 *and n.*; death of, 405 n.; dismissal of, 402 *seqq.*; resignation of, 405.
 Bourquin, Monsieur, 294 *and n.*
 Braadland, Monsieur, 77.
 Brazil: 194 n., debt moratorium declared by, 44; exchange control in, 12; Germany, barter arrangement with, 15.
 Briand, Monsieur Aristide, 272.
 British Empire:
 Ottawa Conference, 4, 27-34; agreements—provisions of, 29-32, 37;—results of, 5-6, 28, 31, 32-4; aims of, 27-8; Australia and, 27-8, 30, 31; Canada and, 14, 29 *seqq.*, 37; Great Britain and, 5-6, 7, 27 *seqq.*, 37, 40; India and, 29, 30, 32; industrial rationalization and, 37; most-favoured-nation clause and, 33, 38, 40; New Zealand and, 30, 31, 32; Newfoundland and, 32; South Africa and, 29, 31-2, 33; Southern Rhodesia and, 32.
 See also under REPARATION: East European; SECURITY.
 Brouckère, Monsieur de, 229 n.
 Bruce, Mr. S. M., 27-8.
 Brüning, Dr.: and German-Polish relations, 322 *and n.*; and Memel, 406 n.; and *Osthilfe*, 340-1 n.; at Disarmament Conference—and effectives, 225, 259, 280;—and equality of status, 204-5 *and n.*, 223, 225, 226, 233, 237-8 n., 238;—speech by (9.2.32), 201, 203-5 *and n.*, 223, 233, 237-8 n.; government formed by, 340-1; on Reparations, 109; resignation of—cause of, 341 n.;—consequences of for international relations, 177, 188, 213, 234, 324.
 Budding, Dr. Carl, *cited*, 352 n.
 Buero, Señor, 295.
 Bulgaria:
 Earthquake in, 146.
 Financial situation of, 63-7, 88; budget, 63-4; currency reserves, 65, 66; exchange control, 12, 64-5, 82, 88-9; League Council and, 146; League Financial Committee and, 63 *seqq.*, 77, 78-9, 146; loans to—amount of, 65, 66, 67 *and n.*, 74, 88;—League Loans, 63 *seqq.*, 73-7, 79, 146-7 *and n.*, 148;—pre-war debt, 148 n.; stabilization of leva, 64, 146-7; transfer problem, 44, 64-7, 78-9, 82, 88, 146.
 Great Britain, financial relations with, 76, 146.
 Greece, commercial and financial relations with, 15, 82, 148 n.; conflict with (1925), 185 n.; Kaphandáris-Molov agreement (9.12.27), 145-6 *and n.*, 169-70 *and n.*
 Jugoslavia, financial relations with, 148 n.
 Poland, commercial agreement with, 15.
 Post-war situation of, 186.
 Trade balance, 65, 67 *and n.*, 88.
 Switzerland, relations with, 15, 146.
 U.S.A., financial relations with, 74, 146.
See also under DISARMAMENT; EUROPE: Economic and Financial Situation; INTER-GOVERNMENTAL DEBTS; REPARATION: East European.

Bülow, Herr von, 404.
Bydgoszcz, 331, 350 *n*.

Calonder, Monsieur, 346 *n.*, 354 *and n.*
Canada: commercial relations of—with
Germany, 8, 19;—with U.S.A., 31;
—with U.S.S.R., 14. *See also under:*
BRITISH EMPIRE; CHINA: Japan; DIS-
ARMAMENT; INTER-GOVERNMENTAL
DEBTS.

Cecil, Viscount, of Chelwood, 195, 227 *n.*
Chamberlain, Sir Austen, 76, 77, 264 *n.*,
496 *n*.

Chamberlain, Mr. Neville, and war debts
—to Great Britain, 114;—to U.S.A.,
115, 125 *n.*, 126, 133, 135.

Chan Chai-tong, 412.

Chang Ching-hui, 456 *n*.

Chang Hsüeh-liang, 413, 434, 453–5, 459,
469, 489 *n.*, 536.

Chang Tso-lin, 454, 468–9.

Charron, Monsieur René, 146.

Chen, Mr. Eugene, 412.

Cheng Hsiao-hsu, 462, 544–5.

Chéron, Monsieur, 86.

Chiang Kai-shek, 412, 418 *n.*, 489 *n.*,
503 *n*.

Chile: debt moratorium declared by, 44;
exchange control in, 12; Great Britain,
commercial relations with, 30. *See also*
under ARGENTINA.

China:

Administrative methods of, 453–4.

Agrarian questions, 416–17, 418, 418–
19 *n*.

Boxer Rebellion, 549.

Brigandage, 411, 413–14, 420, 421,
454, 455.

Canton Government: dissensions in,
413; dissolution and revival of,
411–12; northern military expedi-
tion of, 413.

Central Government: campaign against
Communists, 413, 414–15, 418 *n.*;
removal from Nanking to Loyang,
412, 485, 489; weakness of, 411,
473. *See also below under* Kuomin-
tang.

Civil War, 411, 412–13, 454.

Communications, development of, 412
n., 421.

Communism, 411, 413, 414 *seqq.*, 535,
536.

External debt, 43.

Famine, 411, 413;—International Re-
lief Commission, 418 *n.*, 421.

Flood Relief Commission, work of,
414–15, 420–1, 487–8 *n*.

Foreigners: hostility to, 525; outrages
against, 413–14, 415.

Great Britain: boycott against, 543;
policy of, 524–5, 526, 538–9, 549.
See also below under Japan.

Integrity of, question of, 543, 546,
549, 550, 557, 560–1, 565–6, 578.

Japan, dispute with:

Australia, attitude of, 531–3.

Belgium, attitude of, 545, 576.

Boycott, anti-Japanese, 429, 470,
471 *n.*, 472–3, 474, 514, 543, 581.

Canada, attitude of, 531, 532 *n*.

Czechoslovakia, attitude of, 409,
520, 576, 583, 584, 586.

France: attitude of, 409, 516, 517–
18, 519–22, 548, 553, 554, 558,
564, 578; Shanghai crisis, action
regarding, 475 *n.*, 499, 500–1,
504 *n.*, 507, 564, 568, 572

Germany, attitude of, 516, 517–18,
519, 553, 564 *n.*, 578.

Great Britain: attitude of, 409, 516,
517–18, 523 *seqq.*, 546, 547–8, 552,
553, 558, 563–4, 577–8;—business
community, 524–5, 543;—‘Im-
perialists’, 523–4, 531;—naval
and military circles, 525–7; com-
munique (9. 1. 32), 541–2; diplo-
matic methods, 529–30, 539–40;
non-recognition of Manchukuo,
554; protest to Japan regarding
railway receipts (7.1.32), 542 *n.*;
Shanghai crisis, action regarding—
mediation, 483, 493, 503, 504–5,
506 *seqq.*, 510–11, 563–4, 568–9,
572;—reinforcements, despatch of,
475 *n.*;—representations to Japan,
498–9, 500–1, 514; U.S.A., rela-
tions with, 410, 498, 504, 527,
528–9 *n.*, 530, 538–40, 541–5,
547–8, 552, 557, 558, 568, 569.

Issues raised by, 1, 185, 186, 403
and n., 404, 409–10.

Italy: attitude of, 516, 548, 553, 564,
578; Shanghai crisis, action re-
garding, 475 *n.*, 498, 500–1, 504 *n.*,
564, 569, 572.

Japan: reasons for action of, 522;
sanctions against, question of,
527–9 *n.*, 577; territorial ambi-
tions disclaimed, 544, 546, 567,
569, 573. *See also below under*
League of Nations; Shanghai.

China (*cont.*)

League of Nations

Assembly, special: Chinese expectations from, 573; Chinese request for, 565, 570, 571; convocation of, 567, 570-1, 583; general debate, 517 *n.*, 532 *n.*, 553, 574-8; Japanese attitude regarding, 570-1, 573, 580, 582; Manchurian question within scope of, 571, 573, 578, 579; meeting of (1.7.32), 584; opening meeting (3.3.32), 212, 483 *n.*, 495, 510, 571-3; report by, question of, 576-7, 579, 581-2, 583, 584, 585-6; resolutions of—(4.3.22), 510 *n.*, 574, 579, 582;—(11.3.32) 272, 510 *n.*, 553, 573, 578-80, 581, 582, 583;—(30.4.32), 513 *n.*, 582.

Chinese appeal under Arts. 10 & 15 of Covenant, 504 *n.*, 559, 560-2, 570, 571.

Committee of Nineteen: appointment and functions of, 510 *n.*, 579-80; meetings of—(March-April), 581;—(24.6.32), 583;—(1.10.32), 585-6; resolution of (19.4.32), 511, 581.

Council: Committee of Twelve, 563, 565;—appeals to Japan (16.2.32), 490, 507, 547, 565-6, 578;—Japanese reply to (23.2.32), 547, 566;—draft declaration (Jan. 1932), 547, 560; meetings of—(Oct. 1931), 516, 518, 542, 543;—(Nov.-Dec. 1931), 516, 542, 578;—(Jan. 1932), 558, 559, 561-2, 571, 580;—(2.2.32), 194, 504 *n.*, 548, 552 *n.*, 563-4;—(9.2.32), 564-5;—(19.2.32), 566-7;—(29.2.32), 508, 514, 568-9;—(25.9.32), 585;—resolutions of—(30.9.31), 579;—(10.12.31), 505, 558-9, 579;—(19.2.32), 553, 567, 571, 583;—(29.2.32), 581; unanimity of, question of, 561.

Lytton Commission: appointment of, 558; delay in departure of, 559; in Japan, 461, 493 *n.*; in Manchuria, 445-7, 456 *n.*; in Shanghai, 493 *n.*; report of—cited, 416-17, 445-7, 451, 455-6, 457-8, 458-9, 460, 466 *and n.*, 485-6, 493-4;—delay

in submission of, 583, 584;—Japanese views on, 462, 463, 468, 469, 585, 586;—postponement of consideration of, 585-6;—signature of, 584-5.

Manchukuo—*see under* MANCHURIA.

Manchuria, military operations in: Angangki, occupation of, 434, 438; Chinchow, occupation of, 433, 449, 458, 559; cost of, 429, 430; extension of, in 1932, 429, 433 *seqq.*; guerrilla warfare, 439, 447 *seqq.*; Harbin, advance to, 434-5, 458, 572; on Jehol border, 438; against Ma Chan-shan, 437-8; in Manchuli neighbourhood, 438-9; Mukden, occupation of (18-19 Sept. 1931), 409, 422, 425, 432, 440, 441, 449, 453, 455; position at beginning of 1932, 433-4; Shanhaikwan, occupation of, 433, 434, 449; Tsitsihar, occupation of, 433, 438, 458. *See also under* MANCHURIA.

Nakamura incident, 438.

Nanking, Japanese bombardment of (1.2.32), 412, 485-6.

Negotiations for settlement of, proposed, 505, 506, 507, 564.

Netherlands, attitude of, 409, 517, 545.

New Zealand, attitude of, 531-3.

'Non-recognition' doctrine—*see below under* Treaties.

'Open door', question of, 541, 542, 543, 544-5, 546, 557.

Portugal, attitude of, 517.

Shanghai, conflict in and round, 409, 410, 432, 470-515:

Casualties, Chinese and Japanese, 514 *and n.*

Chapei: bombing of, 482-3, 487, 492, 494, 502; evacuation of, 494; Hongkew Park Salient in relation to, 477-9; incidents in, 472.

China:

military forces of: composition and strength of, 412, 473, 479, 482 *n.*, 486, 503 *n.*; sniping by, 484; tenacity of, 487-8, 493; transport of, 494 *and n.*; withdrawal of—abortive agreement for, 493, 508;—demanded by Japan,

- 480, 481, 487, 490-1, 503, 507, 509;—effected, 494, 502, 508.
- protests and appeals by: to Consular body, 483, 502-3; to Japanese Minister, 492; to Municipal Council, 500 *n.*; to Great Britain and U.S.A., 500, 503.
- Compensation for damage, question of, 513-14.
- Conference, proposed, 507, 508, 509, 514, 568-9, 573, 574, 581.
- Consular Committee: appointment of, 562-3; reports of, 471 *n.*, 475, 563, 564, 565, 572;—cited, 470-92 *passim*.
- Foreign Powers: consultation between, 498, 504, 547-8, 568, 569; mediation by, 483, 490, 493, 503, 504-5, 506 *seqq.*, 563-4, 566, 568, 572, 574, 580, 581; reinforcements, despatch of, 475 *n.*; reports of, on situation, 572, 574, 582; representations made by—to Chinese, 499, 500, 502, 505;—to Japanese, 498-9, 500-1, 502, 503, 504-5; responsibility of, regarding cessation of hostilities, 511, 512, 513, 574, 579, 581, 582. *See also above under* Consular Committee.
- Hongkew Park district: inclusion of, in Japanese sector, 478-9; Japanese occupation of, 481-2, 484, 499 *n.*
- Incidents during January 1932, 471-3, 483.
- International Settlement:
Chinese refugees, influx of, 475, 480, 484 *n.*, 497.
- Danger to, from Sino-Japanese conflict, 475, 497, 499-500, 501.
- Defence of: area included in scheme, 477-9; in 1927, 477, 478, 495, 496-7, 501 *n.*, 538 *n.*; forces, foreign—mobilization of, 476-7, 480;—strength of, 475 *n.*; International Committee, functions and responsibility of, 476-7, 478, 479, 495-6; Japanese participation in, 478-9, 495-6, 504; sectors—allocation of, 478-80, 481, 501;—non-Japanese, intrusion of Japanese into, 499.
- Neutrality of, 495, 497, 502, 538.
- Use of, as base of Japanese operations, 432, 489, 492, 495 *seqq.*; representations regarding—by Chinese, 500 *and n.*;—by foreign Powers, 498-9, 500-1, 503 *n.*;—by Municipal Council, 497, 498.
- Japan:
appeal to foreign Powers regarding Chinese withdrawal, 503.
- demands made by (20.1.32), 472-3, 474, 475, 476, 483, 559.
- direct action, threat of, 473-4, 475, 476, 559.
- Excesses committed by, 484.
- Government, attitude and policy of, 471 *and n.*, 476 *n.*, 487, 501, 505-6, 513, 564, 567, 569, 573.
- justification for action of, 480, 482-3, 496.
- military forces: despatch of, 487, 506; landing of, in Settlement, 489, 500-1; strength of, 482, 488-9, 509 *n.*; withdrawal of—abortive agreement for, 493, 508;—conditions for, 507, 509, 510-11, 512, 574, 581;—effected, 509 *n.*, 513, 582.
- naval forces: headquarters of, 478; strength of, 474, 475 *n.*, 482, 486-7.
- objectives of, 478 *n.*, 480-1 *n.*, 483, 487, 492, 493, 506.
- prestige, considerations of, 489, 504, 505.
- proclamations (28.1.32), 480-1.
- ultimata of: (27.1.32), 474-5, 495; (18.2.32), 490-2, 494, 502, 507, 566, 567.
- Mayor, Chinese, part played by, 472-3, 473-4, 476, 479, 490, 483, 490, 491, 514-15.
- Military and naval operations: (28/29.1.32) 478 *n.*, 481-3, 499, 504.
(3.2—18.2.32) 487-90.
(20.2—3.3.32) 492-5, 502, 508, 566, 567.

China (*cont.*)Military and naval operations (*cont.*)

Air bombardment, 482-3, 487, 487-8 *n.*, 488, 493, 494, 500, 501, 560.

cessation of: abortive agreement for, 493, 509; Anglo-American proposals (2.2.32), 504-5, 507 *n.*, 548, 564;—Japanese reply, 505-6; armistice agreement (5.5.32), 511-13, 582; fighting terminated, 494-5, 508, 572, 574, 575; Japanese terms, 508-9; League of Nations action, 509-10, 511, 574, 579, 581, 582; Sino-Japanese negotiations:—(18.2.32), 507, 566;—(28.2.32) 493, 507-8, 509, 568, 569, 572;—(3.3.32), 508-9;—(March-April), 510-11, 569, 580-1; Truce (29.1-2.2.32), 483-5, 487, 503, 504, 505, 563-4.

extension of, danger of, 489-90.

renewal of: danger of, 509, 514-15; rumours regarding, 494, 509, 572, 574, 575.

terrain, nature of, 488.

Neutral zone, proposed, 487, 503-4, 505, 506, 507, 514, 563-4.

State of Emergency, declaration of, 475, 476, 479, 480, 495.

Woosung forts: fighting round, 488, 492-3; fire from, alleged, 487; Japanese occupation of, 494; situation of, 488.

See also under SHANGHAI.

Small states, attitude of, 409, 516, 517, 520, 531, 532 *n.*, 537, 553, 557, 575-7, 583, 584, 586.

South Africa, attitude of, 532 *n.*, 575-6 *n.*

Spain, attitude of, 583, 584.

Switzerland, attitude of, 409, 576, 577, 586.

Treaties applicable to: breach of—by China, 522;—by Japan, 521-2, 526, 527 *n.*, 549, 558, 573, 576 *n.*;—non-recognition of changes brought about by, 272, 410, 528 *n.*, 540-1, 543, 545, 546, 547, 548-9, 551, 552, 553, 555-6, 557, 560, 578, 579, 580 *n.*, 583-4; Covenant of League of Nations, 521, 532 *n.*,

547, 560-1, 565-6, 567, 573, 576, 577, 578-9, 582, 584; 'Kellogg Pact', 272, 273, 517, 521, 532 *n.*, 541, 542, 545, 546, 549, 555, 556, 576, 578, 579, 584; Washington Nine-Power Treaty, 521, 526, 529, 541, 542, 543, 544, 546, 549, 566;—relation of, to other Washington Treaties, 526, 550-1.

U.S.A.: attitude of, 271, 272, 273, 409, 515-16, 516-17, 518, 520, 526, 537-9, 540 *seqq.*, 580 *n.*; letter from Mr. Stimson to Senator Borah (23.2.32), 410, 548-52, 555, 578;—British attitude regarding, 552;—Japanese comment on, 551; note to China and Japan (7.1.32), 410, 540-1, 542, 544, 545, 547, 548, 551, 555, 556, 557, 560;—British response to, 541-4;—Chinese reply (12.1.32), 548;—Japanese reply (16.1.32), 529, 545-6; League of Nations, co-operation with, 516, 538, 539, 555; Shanghai, action regarding, 547-8, 574;—mediation, 483, 503, 504-5, 506, 507, 513, 563-4, 569 *n.*;—reinforcements, despatch of, 475 *n.*;—representations to Japan, 498-9, 500-1, 514; speeches by Mr. Stimson (Aug. and Oct. 1932), 272, 273, 555-7. *See also above under Great Britain.*

U.S.S.R.: attitude of, 409, 410, 433, 434, 436, 516, 533-7; Japanese assurances to, 437; Manchukuo, recognition of, 554-5; Manchuli, position at, 438-9; Maritime Province, concern for, 436-7, 526, 533.

See also under SECURITY.

Kuomintang, factions of: dissensions between, 411-12, 413; reunion of, 411, 489 *n.* *See also above under* Canton Government; Central Government; *and under* MANCHURIA.

Manchu régime, 442, 443, 444.

Maritime Customs, 466 *and n.*

Mongol régime, 443.

National Emergency Conference, 412.

Position of, compared with that of Japan, 421-2, 431.

Revolution (1911), 443, 444.

Saving elements in life of, 419-21.

T'ai-p'ing Rebellion, 497.

Twenty-one Demands, 410 *n.*

- U.S.A., policy of, 410 *n.*, 549. *See also above under Japan.*
- U.S.S.R.: agreements with (31.5.24), 534-5; alliance, possibility of, 418, 536; diplomatic relations—breaking off of, 535-6;—resumption of, 410, 417-18, 535-6, 537, 555. *See also above under Communism; Japan.*
- See also under DISARMAMENT; LEAGUE OF NATIONS; MANCHURIA; SHANGHAI; TARIFFS.*
- Churchill, Mr. Winston, 190-1.
- Circassians, the, 443.
- Colban, Monsieur, 404-5.
- Colombia; commercial and financial policy of, 10, 12; Peru, dispute with, 185 *n.* *See also under DISARMAMENT; LEAGUE OF NATIONS.*
- Coolidge, President, 124, 272.
- Corkran, Mr., 450.
- Costa Rica, 12, 194 *n.*
- Coudenhove-Kalergi, Count, 317 *n.*
- Council of Foreign Bondholders, 44, 71.
- Credit:
- Breakdown of system of, 14, 42-3.
 - Creditor and debtor countries, relations between, 5, 10, 24, 42-4, 75, 81, 91, 95, 107, 122, 172.
 - League Financial Committee on, 77-83, 171-2 *and n.*
 - Loans, international: adjustment of, proposed, 77, 91, 92, 94, 95; budgetary stability and, 78, 80, 90-1, 94, 95; default on, 43-4, 47-8, 62, 94, 95; interest rates, 45-6, 47, 77; lending, reduction of, 5, 42, 68, 75, 78, 95, 122; liquidation of, 12, 24, 45-6, 47, 95-6; moratoria on, 44, 78-80, 89 *n.*, 94, 96, 172; 'over-borrowing', 75, 89-90; reconstruction loans—post-war, 138;—proposed, 24, 70, 78, 83, 84, 85-6, 90, 94; short-term, 80, 88-9, 90, 91-2—amount of, 96;—conversion of into long-term, 45, 92;—standstill agreements on, 43, 78, 80, 92, 94, 96; sterling, 43, 72; temporary reinvestment of, 45, 46, 67, 70, 78, 92; trade as means of payment of, 14, 78, 80, 81, 91, 172. *See also under AUSTRIA; BULGARIA; GERMANY; GREECE; HUNGARY.*
 - Public debt, conversion of, 95.
 - Restriction of, 4, 78, 94, 95.
 - World Economic Conference and, 41, 42.
- See also under AMERICA, Latin; AUSTRIA &c.; BANK FOR INTERNATIONAL SETTLEMENTS; CURRENCY; EUROPE.*
- Cuba, 184, 194 *n.*; *see also under DISARMAMENT.*
- Currency:
- Clearing agreements, 13-14, 15-16, 18, 62-3, 78, 81, 82.
 - Compensation agreements, 15, 63.
 - Deflation, 42, 90, 94.
 - Depreciation of, 3 *and n.*, 7, 38, 72, 78; effects of on trade, 4, 6, 7, 10 *and n.*, 16, 18, 72.
 - Exchange control, 3, 12, 13, 23, 43, 44, 80-2, 96, 172; countries maintaining, 11-12, 88-9; effects of on trade and finance, 4, 13-14, 16, 19, 65, 67, 95; relaxation of, 4, 11, 23, 87, 90-1, 93-4. *See also under AUSTRIA; BULGARIA; GERMANY; GREECE; HUNGARY.*
 - Foreign exchange assets, fall in, 96.
 - Gold Standard, 3 *and n.*, 43, 72, 88, 91. *See also under GREAT BRITAIN.*
 - Inflation, 90.
 - League Financial Committee on, 78, 80-2.
 - Revaluation of, 91, 94.
 - Transfer, problem of, 23, 44, 73, 78-80, 92, 94, 172. *See also under AUSTRIA; BULGARIA; GERMANY; GREECE; HUNGARY.*
- Curtius, Dr. Julius, 321, 365-6, 367, 369, 400, 401.
- Czechoslovakia: and pre-war Austrian debt, 162 *n.*; commercial policy of, 9; foreign exchange restrictions in, 12, 88; Germany, commercial relations with, 8; Hungary, clearing agreement with, 62; loans to, 88; Poland, Czechoslovak investments in, 383 *n.*, post-war position of, 183, 186; trade balance of, 88. *See also under* BENEŠ, Dr.; CHINA; JAPAN; DISARMAMENT; EUROPE: Economic and Financial Situation; HUNGARY: Rumania; INTER-GOVERNMENTAL DEBTS; REPARATION: East European; SECURITY.
- Daladier, Monsieur, 177, 311.
- Dan, Baron Takuma, 425, 427.
- Danzig:
- Bauernbank, 332.
 - Budgets of, 374, 380 *n.*
 - Constitution and status of, 372 *n.*, 378 *and n.*
 - Currency policy of, 373 *n.*, 380-1 *n.*

Danzig (*cont.*)

Economic and financial position of, 324, 373, 377, 380-1 *and n.*; League Financial Committee and, 373-5 *and n.*; League Loans to, 74, 374-5.

Elections in—(1927), 373, 376;—(1930), 373, 377, 378-9 *and n.*, 380.

German character of, 370, 371, 394, 396. Germany, attitude of, regarding, 312 *n.*, 371, 379, 396.

Government, changes of—(1925-30), 372-3, 374, 376, 380;—(1931), 373, 377, 379, 380.

League Council: appoints High Commissioners, 373 *n.*, 388 *n.*; approves constitution, 372 *n.*, 379; disputes with Poland referred to—(1925-30), 372 *seqq.*;—(1931-2), 379 *seqq.*; guarantees status of, 395.

League High Commissioner: appointments to post of, 373 *n.*, 388 *n.*; decisions by, 376, 380 *n.*, 384-5, 389 *seqq.*; disputes with Poland referred to, 371 *n.*, 372 *seqq.*; on financial situation, 373; reports to League Council, 379 *and n.*, 381, 387, 388 *and n.*

Minorities in, treaty provisions regarding, 386 *n.*

Nazis in, 373, 378-9 *and n.*, 380 *and n.*, 392 *n.*

Officials, question of, 371 *and n.*, 374 *and n.*

Poland, relations with, 322, 370 *seqq.*: anti-Polish demonstrations, 371, 378, 379, 387-8 *and n.*; 390 *and n.*, 392; boycott of, 392 *and n.*, customs receipts, division of, 374 *and n.*; 'direct action', 389 *and n.*, 391; incidents between Danzigers and Poles, 385, 386-8, munitions—transport of, 371 *n.*;—Westerplatte depot for, 375, 377; Paris Convention (9.11.20), 378 *n.*; 'passive finishing trade' dispute, 344, 384, 390-3 *and n.*; Permanent Court of International Justice and, 376, 383, 386 *and n.*, 389, 393-4; Polish assistance in maintenance of order, question of, 388 *n.*; Polish Commissioner-General, resignation of, 379, 386-7 *and n.*; Polish nationals in Danzig, 380 *n.*, 383-4, 385-6 *and n.*, 393-4; port—access of warships to, 376-7, 384, 389-90 *and n.*;—utilization of, 305, 371, 381-5 *and n.*; *putsch*, fear

of, 324 *and n.*, 379, 404 *n.*; railway questions, 376 *and n.*, 377 *and n.*, 384, 393-4; *rapprochement* (1928-30), 376, 377-8; tobacco monopoly negotiations, 374; unfriendly activities, agreement regarding (12.8.32), 392.

Population of, 370 *and n.*

Port of, traffic through, 381-2 *and n.*, 383 *n.*

Unemployment in, 374, 380 *n.*

U.S.S.R., relations with, 379 *n.*

See also under GDYNIA; INTERNATIONAL LABOUR OFFICE; REPARATION: German.

Davila, Monsieur Charles, 152.

Davis, Mr. Norman, 224 *n.*, 270 *n.*, 273 *n.*, 287 *and n.*, 291, 292.

Democracy, 175-8, 180-1.

Denmark; currency depreciation in, 7, 38; debt conversion by, 95; elections in, 176; exchange control by, 8, 12, 13; Germany, commercial relations with, 7-8; Great Britain, commercial relations with, 13 *and n.*, 30, 38-9, 40; import control in, 9, 10, 13; Slesvig-Holstein war, 184. *See also under* DISARMAMENT; TARIFFS.

de Valera, Mr., 585, 586.

Diplomacy, changes in methods of, 529-30, 539-40.

Disarmament:

Afghanistan and, 194 *n.*, 257.

Albania and, 194 *n.*, 254 *n.*, 257.

Argentina and, 194 *n.*, 196 *n.*

Armaments:

Air: bombing—abolition of, 204 *n.*, 205, 207, 216, 229, 235 *n.*, 240, 241;—restrictions on, 198, 199, 200, 235 *n.*, 240, 241, 245; civilians, protection of, 198, 201, 202, 206; Conference Commission on, 220-1, 226-7, 233, 234, 235-6 *n.*;—report of, 229-31 *and n.*; danger of, 179, 189-92, 249-50, 283; International Air Force, proposed, 197, 198, 278-9; July resolution and, 250, 253; police purposes, use for, 245, 285; proposals to Conference regarding—British, 200, 245, 283, 285,—French, 197 *seqq.*, 235-6 *n.*, 278;—German, 204 *n.*, 207;—Italian, 205, 216;—Japanese, 206;—Russian, 207, 254;—U.S., 202, 240, 241; useful load of aircraft, 229 *and n.*, 230. *See also under* AVIATION.

- Expenditure on, 195, 196, 203, 236 *and n.*, 251; Conference Commission on, 214, 215, 231-2, 236 *n.*, 251, 299.
- Land, 202, 206, 240, 276-7; 'armoured fighting vehicles', 228; Conference Commission on, 214, 215, 217, 220-1, 226 *seqq.*, 233 *seqq.*, 295; fortifications, 228 *n.*, 230, 258, 277, 313; guns, proposals to Conference regarding—British, 201, 244, 285; —French, 198, 237, 277; —German, 204 *n.*; —Italian, 205, 216; —Russian, 254; —U.S., 203, 217, 240, 241; July resolution and, 250, 295; tanks, proposals to Conference regarding—British, 180, 228, 244-5, 285; —French, 228, 277; —German, 204 *n.*; —Italian, 205; —Russian, 254; —U.S., 217, 240, 241.
- Limitation or reduction of, 185, 192, 196, 216-17 *n.*, 218-9, 288, 289; arms traffic and, 211, 296-7 *and n.*; France and, 193, 197, 201, 204, 222-3 *and n.*, 237, 278; Great Britain and, 200-1, 209, 245-6, 285; Italy and, 205; Japan and, 206, 219, 243 *and n.*; July resolution and, 249-52, 256, 257; U.S.A. and, 193, 202-3, 209, 239 *seqq.*, 249, 281; U.S.S.R. and, 207, 219, 242-3, 254.
- Manufacture of, and traffic in, 205 *n.*, 208, 211, 248, 277, 295-7 *and n.*; Conference Committee on, 251 *and n.*; 295, 297-8 *n.*; Conference on (1925), 231 *n.*, 295 *n.*; draft convention on (1929), 296 *n.*, 298.
- Naval—*see below under* DISARMAMENT: Naval.
- Publicity regarding, 277, 296 *n.*
- Truce, renewal of, 249, 252, 257-8 *n.*
- Australia and, 194 *n.*, 209 *n.*
- Austria and, 186, 194 *n.*, 196 *n.*, 230, 256, 257; and July resolution, 254 *n.*
- Belgium and, 194 *n.*, 196 *n.*, 209 *n.*, 229 *n.*, 230 *and n.*, 268 *n.*; and eight-state group, 186, 248.
- Bulgaria and, 186, 230, 254 *n.*, 256, 257.
- Canada and, 194 *n.*, 209 *n.*
- Chemical and bacteriological warfare: Conference Committee on, 226 *and n.*, 231 *and n.*, 232, 250, 294-5; July resolution and, 250, 251, 253; proposals to Conference regarding, 206, 207, 210, 229, 235 *n.*; —British, 200, 244; —French, 200, 244; —U.S., 203, 240; protocol on (17.6.25), 231 *n.*, 253.
- China and, 194 *n.*, 209 *n.*, 230, 256, 257; Sino-Japanese dispute in relation to, 185, 194, 195, 206, 212, 256, 257.
- Colombia and, 194 *n.*, 209 *n.*, 254 *n.*
- Conference, World (1932): Adjournment of, suggested, 287-8. Anglo-Franco-Italian problem as test of success of, 222, 225 *n.* Bureau: and arms truce, 257 *n.*; constitution and functions of, 196 *n.*, 251, 252, 255, 266-7, 290; work of (1932)—(Feb.-April), 215, 216 *and n.*, 218 *and n.*, 241 *n.*; —(June-July) 235-6, 246; —(Sept.-Nov.), 252, 258 *n.*, 266-7 *and n.*, 275 *and n.*, 281 *n.*, 284, 285, 293 *seqq.* Committee on Procedure, 195, 214. Continuation of work of, preparations for, 251, 255, 266-7. Countries represented at, 194 *and n.* Delegations to, changes of personnel in, 180 *n.* General Commission: adjournments of, 212, 215-16 *and n.*, 234, 235, 238 *and n.*, 239 *n.*, 243, 251, 252, 266-7; appointment of, 212 *n.*; questions referred to, 213-14, 216, 233, 251; technical commissions' reports to, 221, 228 *seqq.*, 234; work of; (1932)—(Feb.-March), 213-16; —(April), 216-21, 222, 224 *n.*, 226; —(May), 226, 231, 232; —(June-July), 239 *seqq.*, 246-7, 249, 252-7, 258, 289, 299; —(Dec.), 299-300. Hoover-Laval conversations and, 105. Ineffectiveness of, 173 *seqq.*, 260, 261; reasons for, 176 *seqq.*, 187, 211-13. Phases of, 192-3, 290, 291, 300. Plenary sessions—(2.2.32), 187, 194-5, 563; —(5.2.32), 196 *n.*; —(6.2.32), 174, 195-6; —(8-24.2.32), 199, 200-11, 212 *and n.*, 236 *n.*, 241 *and n.*; —(23.7.32), 257. Political Commission, 214-15, 216. President of—*see under* HENDERSON: Rt. Hon. Arthur.

Disarmament (*cont.*)Conference, World (*cont.*)

Resolutions—(16.3.32), 216;—(20.4.32), 218–19;—(qualitative disarmament, 22.4.32); 219–20 *and n.*, 257;—(22.4.32), 221;—(23.7.32), 193, 246, 248 *seqq.*, 258, 266, 295.

Technical committees: appointment of, 213, 214–15, 226, 231, 251, 294, 295; proceedings of, 211, 215–16 *and n.*, 220–1, 226–32, 235–6 *and n.*, 251, 294–9; reports of, 227–32, 294–5, 298; results of work of, 1, 179, 187, 193, 226–7 *and n.*, 232–3 *and n.*, 234. *See also above under Armaments and below under Effectives; Naval.*

Convention on: draft, Preparatory Commission's—as basis of Conference discussions, 200, 202, 204, 210, 233;—co-ordination of new proposals with, 213–14, 215;—General Commission of Conference discusses, 216–8 *and n.*, 219;—German refusal to accept, 204;—provisions of, regarding supervision, 250, 253; interim, proposed, 287–8; revision of, proposals for, 283, 287.

Conversations on, 186, 220, 221, 223 *seqq.*, 239; Anglo-American, 291; Anglo-French (April 1932), 223; criticisms of, 235 *n.*, 238 *n.*, 248, 300; five-Power (April 1932), 129 *n.*, 224–6 *and n.*, 234, 235; Franco-American, 224, 239, 291; Franco-German, 223, 286–7; Franco-Italian, 221–2; Italo-American, 291; results of, disappointing, 234, 235; three-Power (June–July 1932), 236–8, 243, 246. *See also below under Germany; Naval.*

Cuba and, 194 *n.*, 247.

Czechoslovakia and, 194 *n.*, 196 *n.*, 209 *n.*, 247 *n.*, 268 *n.*; and eight-state group, 186, 248. *See also under* BENEŠ, Dr.

Democracy in relation to, 175–8, 181.

Denmark and, 186, 194 *n.*, 209 *n.*, 230 *n.*, 248, 255, 297, 298.

Dominican Republic and, 194 *n.*, 247.

Effectives: Conference Committee on, 226 *and n.*, 231, 232, 233, 298–9; conscription, 201, 204 *n.*, 281 *and n.*; limitation of, 237; overseas forces, 240, 241 *n.*, 278, 299; period of ser-

vice, 277, 280; 'police component', 203, 240, 241 *n.*, 245, 298–9; pre-military training, 232, 277; proportion to population, 240, 241 *n.*, 277 *n.*; proposals to Conference regarding—British, 201;—French, 276–7, 280;—German, 225, 259, 261;—U.S. 203, 240, 245, 251, 277 *n.*, 285; trained reserves, 204 *n.*, 259, 269.

Egypt and, 209 *n.*

Experts, attitude and work of, 173–4, 178–80, 187, 189, 274 *n.* *See also above under* Conference.

Finland and, 209 *n.*

France, 194 *n.*, 196 *n.*, 219, 288; and arms truce, 258 *n.*; and British proposals (Nov. 1932), 285–6; and effectives, 232, 269, 277 *n.*, 299; and fortifications, 228 *n.*, 258–9, 269; and July resolution, 246, 248, 253; and qualitative disarmament, 198, 199, 217, 218 *n.*, 220, 228, 235 *n.*, 237, 277, 278–9; and technical commissions, 228, 230–1, 232, 298, 299; and U.S. proposals, 217, 218 *n.*, 242 *and n.*, 243, 244, 247 *n.*; Memorandum issued by (20.7.31), 197 *n.*, 212; military strength of, 185, 186; political situation in, effect of, 197 *and n.*, 212–13, 220 *and n.*, 237; proposals made by—(5.2.32), 196 *seqq.*, 208, 209–10 *and n.*, 214, 217, 218 *n.*, 220 *seqq.*, 242, 269–70;—(14.4.32), 230–1 *and n.*—(23.6.32), 235 *n.*;—(Nov. 1932), 270, 273 *seqq.*, 283; state of mind of, 175, 186, 196–7, 265;—change in, 187, 188, 233, 237, 259, 268–9, 274 *and n.*, 289 *n.*; takes part in conversations, 186, 220 *seqq.*; 236–7, 239, 246. *See also above under* Armaments; Chemical Warfare; Effectives; *and below under* Germany; Naval.

Franco-British consultative agreement and, 115, 247 *n.*, 262 *n.*

Germany:

Arms truce not renewed by, 258 *n.*

Attitude of, 175, 246, 290, 365;—to British proposals, 283–4, 286;—to French proposals, 199–200, 280;—to July resolution, 246, 248, 249 *n.*, 254 *and n.*, 255–6, 257;—to U.S. proposals, 217 *and n.*, 243, 244.

Conference: absence of from, 188, 193, 258, 259 *n.*, 266, 267 *and n.*, 268, 290, 293, 299;—declaration

- regarding, 255-6, 257; presence of at, 194 *n.*, 196 *n.*; return of to, 299-300;—negotiations regarding, 267, 268, 280, 284, 286, 288-9 and *n.*, 290.
- Effectives, question of in relation to, 225, 261, 276-7 and *n.*, 280, 285, 299; conscription, 281; period of service, 225, 259, 261, 277, 280; pre-military training, 232, 265 and *n.*, 269, 277; *Reichswehr*—reorganization of, 259 and *n.*, 261, 280, 285;—strength of, 240.
- Equality of status: 212, 257, 365.
- Conferences on: four-Power, proposed, 267-8 and *n.*, five-Power (Dec. 1932), 287, 288-9, 300.
- Conversations (1932), 186;—(Feb.), 223;—(April), 193, 221, 224-6 and *n.*, 233, 259 and *n.*;—(June), 237-8;—(Sept.-Nov.), 267, 286-7, 291.
- Five-Power declaration (11.12.32), 193, 253 *n.*, 288-9, 290, 299.
- France: and conversations (April-June), 222, 224-6, 237-8, 259; and negotiations (Aug.-Dec.), 260 *seqq.*, 283 *seqq.*; attitude of, 188, 222-3 and *n.*, 225-6, 233-4, 237, 259 *seqq.*, 268-9, 289 *n.*; proposals by (Nov. 1932), 275 *n.*, 279-80, 282, 283, 286-7; reply of to German *aide-mémoire*, 262-3. Security policy of in relation to, 187, 214, 222-3 and *n.*, 253 *n.*, 259, 263, 268, 269-70, 288-9, 291.
- Germany: *aide-mémoire* presented by (29.8.32), 260-1, 262 and *n.*; declaration by (22.7.32), 255-6, 257; proposals by—(9.2.32), 204-5, 223;—(18.2.32), 204-5 *n.*;—(April 1932), 225, 233;—(14.6.32), 235; public opinion in, regarding, 204, 258, 264-5, 280, 286, 290; threat of independent action by, 259 and *n.*, 261-2.
- Great Britain and, 224-6, 233 and *n.*, 237-8, 262 and *n.*, 267-8, 287, 288-9 and *n.*; declaration and proposals made by (10/17.11.32), 282-3, 284-6 and *n.*, 293; statement issued by (18.9.32), 263-5 and *n.*, 267.
- Italy and, 205, 224-6, 262 *n.*, 267, 268, 281, 287 *seqq.*
- July resolution and, 248, 255-6, 257.
- Lausanne Conference, question raised at, 112 and *n.*, 116.
- League Council, position of, regarding, 263.
- Negotiations regarding (Aug.-Dec. 1932), 193, 258 *seqq.*
- Political Commission and, 214.
- Poland and, 262 *n.*, 268 *n.*, 313 and *n.*, 325.
- Preparatory Commission and, 204.
- U.S.A. and, 224-6, 233, 270, 287, 288 *n.*, 289, 291.
- Versailles Treaty: modification of suggested, 225, 261; provisions of for general disarmament, 185, 204, 205, 229 *n.*, 264; replacement of by disarmament convention, 261, 262, 264 and *n.*, 280, 281, 282, 283, 290; unilateral disarmament of Germany by, 186, 205 and *n.*, 210 and *n.*, 229 *n.*, 275 *n.*, 307.
- Financial position in relation to, 261, 264.
- Fortifications, 204 *n.*, 228, 315, 316, 324.
- German-Polish relations and, 312-13.
- Militarism of, in relation to, 262 *n.*, 265 and *n.*
- Political situation, effect of, 188, 212-13, 234, 237, 259, 262 *n.*, 286, 287, 289-90.
- Proposals made by—(9.2.32), 201, 203-5; 223;—(18.2.32), 204-5 *n.*, 208, 210;—(April 1932), 225, 233;—(14.6.32), 235.
- Qualitative disarmament policy of, 217 *n.*, 225, 228, 229-30 and *n.*, 261, 285. *See also above under Proposals.*
- Rearmament of, 185, 205, 225, 237-8 and *n.*, 259, 261, 263 and *n.*, 266, 269, 270 *n.*, 274, 280, 285, 289 *n.*, 290, 291-2, 313.
- See also above under Armaments; Effectives; and below under Naval; and under SCHLEICHER, General von.*
- Great Britain, attitude of, 175, 180, 189-92, 195 *n.*; and air armaments, 231, 235, 236; and arms manufacture, 298; and Conference procedure, 194 *n.*, 196 *n.*, 213, 214, 267; and

Disarmament (*cont.*)

conversations, 186, 224-6, 236-8, 246; and French proposals (14.11.32), 275, 281 *and n.*, 282-3; and Hoover Plan, 242, 244-6, 247; and July resolution, 246, 248, 253, 256; and qualitative disarmament, 200, 203, 209, 217 *and n.*, 219-20, 233 *n.*; and tanks, 180, 228; proposals made by, to Conference—(8.2.32), 200-1, 203, 209;—(7.7.32), 244-6, 247;—(17.11.32), 282-6, 293; representation of, at Conference, 180 *n.* *See also above under Armaments*; Chemical Warfare; Effectives; Germany; *and below under Naval*.

Greece and, 194 *n.*, 209 *n.*, 213, 274.

Guatemala and, 194 *n.*, 209 *n.*

Haiti and, 194 *n.*, 209 *n.*

Hungary and, 186, 194 *n.*, 210 *n.*, 228, 230; and July resolution, 254 *n.*, 255, 256.

Incendiary warfare, 198, 207, 229, 231, 235 *n.*, 250, 251.

International police force, proposals for, 197-9, 201, 220, 223 *n.*, 265, 277, 278-9; criticisms of, 207, 209 *and n.*, 281.

Italy, attitude of, 181, 185, 186, 194 *n.*, 196 *n.*, 259-60, 288, 291-2; and air armaments, 229 *n.*, 231, 235 *n.*; and arms traffic, 298; and British proposals, 285; and conversations, 244-5, 238 *n.*; and French proposals (Nov. 1932), 276 *n.*, 281; and Hoover proposal, 242 *and n.*; and July resolution, 249 *and n.*, 254 *and n.*, 257, 260; and pre-military training, 232; and tanks, 228; proposals made by, to Conference—(10.2.32), 205-6, 210 *n.*, 216;—(8.4.32), 218 *and n.* *See also above under Armaments*; Germany; *and below under Naval*.

Japan, attitude of, 185, 194 *n.*, 196 *n.*, 219; and arms traffic, 298; and Hoover Plan, 243 *and n.*, 247 *n.*; and July resolution, 254-5; proposals made by (10.2.32), 205, 206 *and n.* *See also above under Armaments and below under Naval*; *and under JAPAN: Finance*.

Jugoslavia and, 194 *n.*, 209 *n.*, 230, 247 *n.*

Latvia and, 194 *n.*, 209 *n.*

League of Nations, 295-6 *and n.*; Covenant, Art. 8 of, 217 *n.*, 218, 219,

249, 255; Secretariat, information prepared by, 195; Temporary Mixed Commission, 295 *n.*, 296. *See also above under International Police Force and under SECURITY*.

Lithuania and, 194 *n.*, 254 *n.*

Mexico and, 194 *n.*, 247.

'Moral Disarmament', 207-8 *and n.*, 214-15, 232, 236 *n.*

Naval:

Aircraft carriers: abolition of, proposed, 204 *n.*, 205, 206, 207, 216, 227; limitation of, 206 *n.*, 240-1, 246, 292.

Anglo-Franco-Italian problem, 202, 221-2 *and n.*, 225 *and n.*, 241, 291, 292.

auxiliary vessels, 293.

capital ships: abolition of, 195 *n.*, 204 *n.*, 205, 207, 216, 227; internationalization of, 198; reduction in size of, 201, 204 *n.*, 206, 227 *and n.*, 240, 246, 284, 286, 293; Washington and London ratios for, 293.

Competition between principal Powers, possible renewal of, 550-1. Conference Commission on, 214, 215, 226-8 *and n.*, 236 *n.*

Conversations on, proposed, 251-2, 290-1. *See also above under Anglo-Franco-Italian problem*.

Cruisers, 241 *and n.*, 246, 284, 293.

Destroyers, 241, 246, 293.

France and, 222, 241, 286; proposals made by to Conference, 197, 198, 278. *See also above under Anglo-Franco-Italian problem*.

Geneva Conference (1927), 296.

Germany: demand for equal status in, 204 *n.*, 227 *and n.*, 263, 284, 286; 'pocket battleships', question of, 227 *and n.*, 284, 313-14 *and n.*, 318.

Great Britain, attitude of, 208-9, 217 *n.*, 227; and Hoover Plan, 241 *n.*, 242 *seqq.*; and Japanese proposals, 292-3; proposals made by—(8.2.32), 200, 201, 209;—(7.7.32), 245-6 *and n.*, 247;—(17.11.32), 284, 286, 292; U.S.A., parity with, 527.

Guns, calibre of, 206, 207, 227, 292; British proposals regarding, 201, 246, 284.

Italy and, 206, 227-8 *and n.*, 241; building programme of, 221 *n.*

- See also above under* Anglo-Franco-Italian problem.
- Japan: and Conference Commission, 227; and Hoover Plan, 241 *n.*, 243 *and n.*; proposals made by, 206 *and n.*, 292-3 *and n.*
- London Conference (1930), 201, 224.
- London Treaty (22.4.30), 201, 202, 225 *n.*, 240, 241 *and n.*, 251-2, 287, 293, 527; Franco-Italian participation in, 225 *n.*, 241.
- Merchant vessels, arming of, 206 *n.*
- Smaller Powers, attitude of, 209, 292.
- Spain and, 206 *n.*
- Submarines: abolition of, 200 *seqq.*, 227, 242, 245, 246, 284; internationalization of, 198; limitation of, 198, 206, 240 *and n.*, 242, 293.
- U.S.A.: and Conference Commission, 227; and conversations with Great Britain, 290-1, 292; and Franco-Italian problem, 291, 292; and Japanese proposals, 292-3; proposals made by—(9.2.32), 202, 209;—(22.6.32), 240 *seqq.*, 278; supremacy, renunciation of, 550.
- U.S.S.R. and, 207.
- Washington Treaty, 201, 240, 251-2, 293, 525-6, 550, 551.
- Netherlands and, 194 *n.*, 231, 255; and eight-state group, 186, 248.
- New Zealand and, 194 *n.*, 209 *n.*
- Norway and, 186, 194 *n.*, 248, 255.
- Persia and, 194 *n.*, 209 *n.*
- Petitions and resolutions sent to Conference, 174, 195-6 *and n.*, 227 *n.*, 257.
- Poland, attitude of, 194 *n.*, 196 *n.*, 219, 230; 313 *and n.*; and French proposals, 209 *n.*; and Hoover Plan, 247 *n.*; moral disarmament proposals of, 207-8, 215, 232. *See also above under* Germany—equal status.
- Preparatory Commission for the Disarmament Conference, 192, 193, 194, 197 *n.*, 206-7, 208, 210, 250, 255, 296 *n.* *See also above under* Convention; Germany—equal status.
- Public opinion and, 174-5, 178, 179, 196, 210, 226, 242, 257.
- Qualitative, 192-3, 195 *n.*, 209-10 *n.*, 216 *and n.*, 233 *n.*, 248; proposals regarding—British, 200-1, 203, 209, 219-20 *and n.*, 221;—French, 198, 199, 235 *n.*, 237, 277, 278-9;—German, 204-5 *n.*, 210, 225, 235, 261;—Italian, 205-6, 210 *and n.*, 216, 218 *n.*;—Japanese, 206, 292-3;—Russian, 207, 210, 254;—U.S., 202-3, 217 *and n.*, 218 *n.*, 224 *n.*, 240 *seqq.*; resolutions on,—(22.4.32), 219-20 *and n.*, 221;—(23.7.32), 249, 250, 251; technical commissions and, 193, 215 *n.*, 220-1, 226-31, 233, 235 *n.*, 236 *n.*, 293-5.
- Rumania and, 194 *n.*, 209 *n.*, 219, 220, 247 *n.*
- Security in relation to, 187-8, 197 *and n.*, 202, 205, 211, 214-15, 223, 237, 265, 269, 288-9.
- Smaller Powers, attitude of, 184-6, 234-5, 239 *n.*; and conversations between Great Powers, 235 *n.*, 238 *n.*, 268 *n.*, 288, 300; and Hoover Plan, 246-7 *and n.*; and 'interim convention', 288; and July resolution, 248-9, 251 *n.*, 253, 255; eight-state group, 186, 235, 248-9, 251 *n.*
- Spain, attitude of, 194 *n.*, 196 *n.*; and air armaments, 215 *n.*, 235; and arms manufacture and traffic, 208, 251 *and n.*, 298; and civil aviation, 230 *n.*; and eight-state group, 186, 248; and Hoover Plan, 243 *n.*; and naval armaments, 206 *n.*
- Supervision: French proposals for, 198, 199, 214, 277-8; German proposals for, 204-5 *n.*; Permanent Disarmament Commission, 188, 200-1, 210-11, 250, 253, 285, 294.
- Sweden, attitude of, 186, 194 *n.*, 196 *n.*, 230 *n.*, 231, 255; and eight-state group, 186, 248.
- Switzerland and, 186, 209 *n.*, 230 *n.*, 248.
- Turkey, attitude of, 194, 196, 209 *n.*, 230; and July resolution, 254 *n.*, 256, 257; proposals made by, 208, 218.
- U.S.A., 194 *n.*, 196 *n.*, 202, 216 *n.*; and air armaments, 231, 235 *n.*; and arms traffic, 297-8 *and n.*; and conversations between Powers, 223, 224-6, 236-7, 238 *n.*; and qualitative disarmament, 217 *and n.*, 218 *n.*, 224 *n.*; Gibson proposals (9.2.32), 201-3; Hoover proposals (22.6.32)—announcement of, 193, 238-9 *and n.*;—Herriot plan in relation to, 277 *n.*, 278, 281 *and n.*;—July resolution and, 246, 248, 249, 251, 253;—pro-

Disarmament (*cont.*)

visions of, 240-1 *and n.*;—reception of, 242 *seqq.*, 257, 285. *See also above under* Armaments; Chemical warfare; Effectives; Germany—equal status: Naval.

U.S.S.R.: and air armaments, 230 *and n.*; and Conference procedure, 194 *n.*, 196 *n.*, 266-7; and French proposals, 207, 209 *n.*; and Hoover Plan, 242-3; and July resolution, 193, 246, 249 *n.*, 254-5, 256-7; and naval armaments, 207; and pre-military training, 232; and tanks, 228; proposals made by (11.2.32), 206-7, 208 *n.*, 210, 218. *See also above under* Armaments:

World crisis and, 195, 236, 239.

Dollfuss, Dr., 53-4.

Dominican Republic—*see under* DISARMAMENT.

Donald, Sir Robert, *cited*, 347 *n.*

Dudek, Schulrat, 357.

Dumping, 9, 30. *See also under* TARIFFS: Exchange dumping.

Duncan, Major-General Sir John, 496 *n.*

Durand, Monsieur, 18.

Ecuador, 12, 176, 194 *n.*

Eden, Mr. Anthony, 180 *n.*, 552.

Edge, Mr. Walter, 17.

Egypt: Germany, commercial relations with, 15; loans to, 43. *See also under* DISARMAMENT; INTER-GOVERNMENTAL DEBTS.

Estonia, 194 *n.*; commercial and financial policy of, 9, 10, 12; League Loan to, 74; Poland, commercial agreement with, 15. *See also under* EUROPE: Economic and financial situation; INTER-GOVERNMENTAL DEBTS.

Europe:

Commission of Inquiry for European Union: Co-ordination sub-Committee of, 21-2; Economic Experts' Committee of, 35-8; sessions of—second, 20-1;—third, 35; fifth, 26, 93.

Economic crisis in (1925), 373.

Economic and financial situation of: Agrarian states, position of, 19 *seqq.*;—cereal valorization fund, proposed, 25-7, 93;—Conferences of, 20-1, 24; Austria and, 22 *seqq.*, 82; bilateral agreements, 22 *seqq.*, 82; Bulgaria and, 19, 24, 25; currency normalization fund, proposed, 25-6,

93-4; Czechoslovakia and, 22 *seqq.*; Danubian customs preference (Tardieu plan), 22-3, 220 *n.*, 222, 223; Estonia and, 24; financial situation (1932), 3, 13, 87-9, 95-6, France and, 22 *seqq.*, 85, 220 *n.*, 222, 223; Germany and, 22 *seqq.*; Great Britain and, 22 *seqq.*, 84, 85-6, 223; Greece and, 22, 24; Hungary and, 19, 22, 24, 25, 82; Italy and, 20 *seqq.*, 222; Jugoslavia and, 19, 22, 24, 25; Latvia and, 24; League of Nations and, 85, 86, 95;—Financial Committee, reports of, 77 *seqq.*, 90, 91, 171-2;—Stresa report referred to, 26-7, 93, 94;—work of (1921-8), 73-7; Lithuania and, 24; Poland and, 19, 24, 25; Rumania and, 19, 22, 24, 25; Stresa Conference, 4, 23-7, 84, 87-95, 113;—Economic and Agricultural Committee, work of, 23 *seqq.*, 87, 93;—Financial Committee, work of, 23, 26, 87, 89-95;—on trade restrictions, 13-14 *and n.*, 81, 82; U.S.S.R. and, 26.

Hostile camps, danger of division into, 186, 515 *n.*

North-Eastern, definition of, 301 *and n.* *See also under* REPARATION; SECURITY.

Fêng Yü-hsiang, 412, 418, 489 *n.*

Ferguson, Mr., 415.

Finland: exchange control in, 11; Great Britain, commercial relations with, 30. *See also under* DISARMAMENT; INTER-GOVERNMENTAL DEBTS.

Flandin, Monsieur, 85.

Foochow, anti-Japanese outbreak at, 471 *n.*

France:

Economic and financial position of, 9, 16, 95, 121, 125; clearing agreements signed by, 15, 16; commercial policy of, 8-9, 10, 15, 16-18.

Elections (May 1932), 176, 177, 198 *and n.*, 212-13.

Germany, relations with, 1, 187, 188, 247-8 *n.*, 308, 309, 310, 316;—commercial negotiations, 17-18;—military alliance, suggested, 237 *n.* *See also under* DISARMAMENT; GERMANY: Poland; REPARATIONS.

Government, changes of—(Feb. 1932), 212;—(June 1932), 177, 213;—(Dec. 1932), 127, 128-9, 177.

- Great Britain—commercial relations with, 9, 17, 115, 247 *n.*; consultative agreement with (July 1932), 115–16, 247–8 *n.*, 262 *and n.*
- Greece, financial relations with, 68, 71, 74.
- Hungary, clearing agreement with, 16, 62.
- Italy, relations with, 17, 115, 247 *n.*, 291–2. *See also under* DISARMAMENT: Naval.
- Latvia, commercial agreement with, 15.
- League Loans, issue of, in, 74.
- Poland, investments in, 383 *n.*; political agreement with (19.2.21), 301, 308.
- Post-war position of, 186.
- Spain, commercial agreement with, 17.
- Trade balance, 8–9, 16.
- U.S.A., relations with, 17, 105, 115–16.
- Unemployment in, 16.
- See also under* AUSTRIA; AVIATION: Civil; BELGIUM; CHINA: Japan; DISARMAMENT; EUROPE: Economic and financial situation; GERMANY: Poland; HERRIOT, Monsieur; INTER-GOVERNMENTAL DEBTS; LEAGUE OF NATIONS; MEMEL: Convention; MOROCCO; REPARATION: East European, German; SECURITY; SHANGHAI; SYRIA; TARDIEU, Monsieur; TARIFFS; TREATIES.
- Franklin-Bouillon, Monsieur, 274.
- Freedom of the Seas—*see under* WAR.
- Fremantle, Admiral Sir Sydney, 528 *n.*
- Galicja, Eastern. *see under* POLAND.
- Gdynia, 305, 324, 371 *and n.*, 375, 376, 381–5 *and n.*
- Germain-Martin, Monsieur, 111.
- Germany:
- Commercial policy of, 6–7, 8, 9–10, 18, 97; agrarian influence on, 8, 18, 336, 340 *and n.*
 - Elections: (Sept. 1930), 320–1, 342; (1932–3), 109, 176; (March–April 1932), 109, 176, 212, 216 *n.*; (July, 1932), 260 *n.*
 - Financial situation: bank rate, 49; banks, reconstruction of, 3, 48, 49–51; budget, 97, 99, 103, 107; exchange control, 6, 12, 45; financial crisis (1931), 97 *seqq.*, 107; International Bankers' Committee report on, 103; loans to—Central Banks credit, 45–6, 96;—difficulty of maintaining service of, 6, 47–8, 97;—moratoria on, 44, 48 *n.*, 111. London Seven-Power Conference on, 102; short-term credits, 97–8, 101, 102, 106;—amount of, 46;—Standstill Agreements on, 12, 45–7, 48 *n.*, 96, 102; taxation, 48–9; transfer problem, 45, 46, 47–8 *and n.*, 97. Young Plan Advisory Committee and, 106, 107.
- Foreign policy, effect of nationalist revival on, 177, 183–4, 187, 234, 259, 268–9, 310–11, 321, 379.
- General War and, 182–3, 184, 186, 304, 307.
- Government, changes of (1932), 177, 213, 234, 286. *See also under* BRÜNING, Dr.
- Great Britain: and Rhineland evacuation, 264 *n.*; commercial and financial relations with, 5–7, 8, 10, 18, 45–6. *See also below under* Poland.
- Hungary, commercial relations with, 15–16, 22, 62.
- Italy, relations with, 12, 260.
- Lithuania, relations with, 317, 396 *and n.*, 399, 400 *and n.* *See also under* MEMEL.
- National-Socialists: and Lausanne Agreement, 113; growth of movement, 97, 212, 260 *n.*, 265, 269, 320–1, 342, 378–9, 380 *and n.*; success of (1933), 176, 180, 181, 183, 310–11.
- Netherlands, financial relations with, 46.
- Osthilfe*, 322 *n.*, 340–1 *n.*
- Poland:
- Agreements signed regarding minor questions, 315, 326 *and n.*
 - Commercial relations with;—(1920–5), 305;—(1925–30), 305–6, 334–40 *and n.*;—(1930–3), 8, 340–4 *and n.*; Danzig attitude regarding, 377 *n.*; German attitude regarding, 317, 335, 336; Polish attitude regarding, 335–6; protocol regarding negotiations (23.11.27), 337–8; provisional agreement (26.3.32), 343; rye and timber agreements, 338, 343 *and n.*; trade, decrease in, 305–6; treaty (17.3.30),—negotiations for, 18, 34, 315, 316, 317, 326–7 *and n.*, 334 *seqq.*;—ratification of, by Poland only, 322, 334, 342–3;—signing of, 319, 327, 334,

Germany (*cont.*)Poland (*cont.*)

339-40; Versailles Treaty régime, 334.

Corridor, question of, 312, 317 *n.*, 323, 371.

Cultural relations, 304-5, 306, 349 *n.*

Espionage cases, 319 *n.*, 323.

Financial claims, 327, 332 *and n.*
See also below under Germans in Poland.

France, attitude of, regarding, 301, 302, 307 *seqq.*, 313, 317-18.

Frontier: 'Eastern Locarno', question of, 308, 313 *and n.*, 316, 318 *n.*; German campaign for revision of, 304, 312 *and n.*, 314-15, 316, 320 *seqq.*, 345; incidents, 319 *and n.*, 322 *n.*, 323 *and n.*; Poland—attitude of, regarding, 312 *seqq.*, 319-20, 321, 325-6;—special zones maintained by, 317, 338-9; raids, fear of, 313, 314, 324, 325, 404 *n.*; technical agreements signed regarding, 315, 326 *and n.*

Germans in Poland: election incidents, 358-9 *and n.*, 364-70 *and n.*; entry and settlement of, 337 *and n.*; expulsion of, 327, 337 *and n.*; frontier revision campaign and, 321 *n.*, 345; League Council, appeals to, regarding, 330, 331, 346, 351-2 *and n.*, 364-70 *and n.*; liquidation of property of, 327-9, 331, 336-7, 350-2 *and n.*;—agreement regarding (31.10.29), 318 *and n.*, 319, 327, 331-4 *and n.*; number of, 344 *and n.*; Polish Minorities Treaty and, 346, 351, 361 *n.*, 364 *and n.*; position of, 344-6.

Germany: anti-Polish demonstrations in, 313 *and n.*, 318, 322, 323-4 *and n.*; conciliatory policy, advantages of for, 304-6; investments of, in Poland, 383 *n.*; 'Junkers', attitude of, 324, 336, 340-1 *n.*; Nazi revolution, effect of, 310, 311, 320-1; press campaign in, 314, 320, 321 *n.*, 324, 360; state of mind of, 301 *seqq.*
See also above under Frontier.

Great Britain and, 302, 307 *seqq.*, 351.

Impartial study of, obstacles to, 302.

International repercussions of, 301-2, 307-11, 396, 404 *n.*

League of Nations and, 314, 320.
See also above under Germans in Poland, *and below under* Poles in Germany.

Locarno agreements and, 308, 312-13, 315.

Masures, 344 *n.*, 347 *n.*

Nationality questions, 327, 328-9 *and n.*, 331, 332.

Poland: anti-German demonstrations in, 315, 320, 333, 364; press campaign in, 318, 360; state of mind of, 302 *seqq.* *See also above under* Frontier.

Poles in Germany: expulsion of, 327; League Council, appeals to, regarding, 346, 348; minority schools for, 347 *and n.*, 348 *and n.*; number of, 344 *and n.*; position of, 345-6; seasonal immigration of, 337, 340 *n.*; school strike (1906-7), 348.

Rapprochement, possibility of, 310-11; relief of tension—(1927), 317; —(1929), 318-9, 339.

U.S.A., attitude of, 302, 307 *seqq.*

Rhineland: evacuation of, 264 *n.*, 313 *n.*, 316, 317, 319-20; separatist movement in, 456 *n.*, 467.

Ruhr, military occupation of, 1, 403 *n.*, 522.

Rumania, commercial agreement with, 22.

Shipping policy, 51.

South Africa, commercial relations with, 33.

Sweden, commercial and financial relations with, 18, 47.

Switzerland, financial relations with, 46.

Trade balance, 6 *and n.*, 12, 17, 47 *and n.*, 48, 97.

Unemployment in, 47, 48-9, 373.

U.S.A., financial relations with, 46.

U.S.S.R.: non-aggression treaty with (24.4.26), 315-16; relations with, 518 *n.*

Wages, reduction of, 49 *and n.*

See also under: ARGENTINA; AUSTRIA; AVIATION, Civil; BELGIUM; BRAZIL; BRÜNING, Dr.; CANADA; CHINA; Japan; CZECHOSLOVAKIA; DANZIG; DENMARK; DISARMAMENT; EGYPT; EUROPE: Economic and financial

- situation; FRANCE; INTER-GOVERNMENTAL DEBTS; LEAGUE OF NATIONS; MEMEL; PRUSSIA; REPARATION: East European, German; SECURITY; SILESIA; STRESEMANN, Dr.; TARIFFS.
- Gibson, Mr. Hugh: and Morges conversations, 239; at Disarmament Conference, 216, 238 *n.*, 239, 253; presents U.S. proposals—(9.2.32), 201, 202-3;—(11.4.32), 217 *and n.*, 218 *n.*, 220, 224 *n.*;—(22.6.32), 239 *seqq.*, 247 *n.*, 253.
- Gilbert, Mr. S. Parker, 97.
- Gold: inter-governmental debt payments and, 121 *seqq.*; maldistribution of, 122, 125. *See also under* CURRENCY.
- Grandi, Signor: and Disarmament Conference, 205-6, 210 *n.*, 218, 225, 227-8 *n.*, 242; conversations of, with M. Tardieu, 221-2; resignation of, 180 *n.*, 254 *n.*, 260.
- Gravina, Count, 373 *n.*, 384, 388 *n.*, 389, 390.
- Grazynski, Monsieur, 358 *seqq.*, 365, 366, 368-9 *n.*
- Great Britain: financial position of, 11 *and n.*, 59, 95, 96, 123; Franco-American credit to, repaid, 96; Gold Standard suspended by, 3, 13, 38, 68, 122, 135, 380-1 *n.*, 403; Government, change of (Aug. 1931), 523; import quotas, 40; investments by, 44;—League Loans, question of, 74-5, 76-7. *See also under* ARGENTINA; AUSTRIA; AVIATION, Civil; BELGIUM; BRITISH EMPIRE; BULGARIA; CHILE; CHINA; DENMARK; DISARMAMENT; EUROPE: Economic and financial situation; FINLAND; FRANCE; GERMANY; GREECE; HUNGARY; INDIA; INTER-GOVERNMENTAL DEBTS; ITALY; LEAGUE OF NATIONS; MACDONALD, Rt. Hon. J. Ramsay; MEMEL: Convention; NETHERLANDS; NORWAY; POLAND; REPARATION: East European, German; SECURITY; SHANGHAI; SIMON, Sir John; SWEDEN; TARIFFS; U.S.A.; U.S.S.R.; URUGUAY.
- Great Powers—*see under* SECURITY.
- Greece:
Elections in, 176.
Financial situation of, 67-73, 88, 89, 95, 172; budget, 69, 70; currency reserves, 68, 69; exchange control, 12, 68, 72, 89; Gold Standard suspended, 72-3, 88, 89; League Council and, 73, 76-7; League Financial Committee and, 68 *seqq.*, 73 *seqq.*, 172; loans to, 43, 44, 67 *seqq.*, 73, 78-80, 89, 172;—amount of, 88;—League loans, 68, 69, 70, 73-7, 78-80;—reconstruction loan, proposed, 83; transfer problem, 68, 69-72, 73, 78-80, 89.
- General War and, 184.
- Great Britain, commercial and financial relations with, 68, 71, 72.
- Import control in, 9, 70.
- Irrigation schemes in, 67, 68, 69, 70.
- Italy, financial relations with, 68, 71.
- Refugees in, 67-8 *and n.* *See also under* BULGARIA.
- Trade balance of, 68, 69, 88.
- Turkey, *rapprochement* with, 311.
- See also under* ANATOLIA; BULGARIA; DISARMAMENT; EUROPE: Economic and financial situation; FRANCE; INTER-GOVERNMENTAL DEBTS; REPARATION: East European, German.
- Groener, General, 314, 318.
- Guatemala—*see under* DISARMAMENT.
- Gyls, Monsieur, 407.
- Haiti—*see under* DISARMAMENT.
- Hamaguchi, Mr., 425.
- Hambro, Monsieur, 401 *n.*
- Hamel, Dr. van, 317 *n.*, 373 *and n.*
- Hay, Mr. John, 549.
- Henderson, Rt. Hon. Arthur:
and Danzig—Polish relations, 388.
and Disarmament Conference, 177, 216, 221 *n.*, 238 *n.*, 239 *n.*, 267; and German participation, 266, 299-300; appointed President—of Bureau, 196 *n.*,—of Conference, 194;—of General and Political Commissions, 213, 214; speeches by—(2.2.32), 194-5 *and n.*;—(24.2.32), 208, 210-11;—(22.7.32), 174, 257.
and Hungarian Optants, 153.
and Silesian elections dispute, 365, 368, 369-70.
- Hengel, Dr. van, 52.
- Hergt, Herr, 316-17.
- Hermes, Herr, 338, 339.
- Herriot, Monsieur:
and disarmament, 177, 234, 237, 263 *n.*, 269, 274 *and n.*, 291; and French proposals (Nov. 1932), 274 *n.*, 280; and German equality of status, 235 *n.*, 253 *n.*, 289;—conversations regarding (June 1932), 237-8;—negotiations regarding (Sept.-Dec. 1932),

Herriot, Monsieur (*cont.*)

262, 265 *seqq.*, 280, 287, 288 *and n.*, 289 *n.*; and interim convention, 287, 288; and Morges conversations, 239; on July resolution, 253 *and n.*, 256; speech by (28.10.32), 274, 289 *n.*

and Franco-Italian relations, 291, 292. and Lausanne Conference, 110, 112, 113.

and War Debts, 124, 126, 127, 129.

at Commission of Inquiry for European Union, 26.

foreign policy of, 177 *and n.*

forms ministry, 213, 234.

Government of (1924-5), 177 *and n.*

on Austrian loan, 85.

resignation of, 127, 129.

Hijāz-Najd—*see under* SA'UDĪ ARABIA.

Hindenburg, President von, 366; and German internal politics, 213, 260, 286, 341 *n.*; and German-Polish relations, 318, 333, 336; and inter-governmental debts, 99; and Memel, 405-6 *n.*; and *Osthilfe*, 340-1 *n.*; re-election of, 212.

Hitler, Herr, and Danzig, 379, 385 *n.*; probable foreign policy of, 180, 188, 310, 311, 321; rise to power of, 180, 217, 260, 286, 341 *n.*, 378, 385 *n.*

Hoesch, Herr von, 106, 223.

Honduras, 194 *n.*

Honjo, General, 437, 476 *n.*

Hoover, President: and arms traffic, 297 *n.*; and Disarmament Conference, 202, 270 *n.*;—proposals announced by (22.6.32), 193, 238-41 *and n.*; and Hoover-MacDonald communiqué (Oct. 1929), 272; and inter-governmental debts, 105, 118 *n.*, 119, 120, 124, 130-1, 132;—moratorium proposed by, 99-100 *and n.*, 107, 168;—negotiations of, with Mr. Roosevelt, 119, 130-1, 132-3;—relations of, with Congress, 99, 100, 107-8, 119 *and n.*, 130-1, 132; and Sino-Japanese dispute, 541; conversations of, with M. Laval (Oct. 1931), 105-6, 108, 115, 117, 118. *See also under* DISARMAMENT; INTER-GOVERNMENTAL DEBTS.

Horsfall, Major A. H., 533 *n.*

Hsi Hsia, General, 434-5, 442, 456 *n.*

Hsuan Tung—*see* FU YI, Mr.

Hughes, Mr. C. E., 549.

Hugenberg, Herr, 8.

Hungary:

Commercial policy of, 9, 13, 82.

Financial situation of: budget, 57-8; credit policy, 57, 62, 81; crisis (1931-2), 56-63, 172; currency reserves, 60, 61, 62; exchange control, 12, 13, 56 *seqq.*, 81, 88-9; gold pengő scheme, 56-7, 73; League Council and, 73, 76-7, 149-50; League Financial Committee and, 57-9, 62, 63, 73 *seqq.*, 149-50, 172; loans to, 44, 56 *seqq.*, 78-80, 89, 172;—amount of, 88;—League loans, 60, 61-2, 73-7, 78-80, 139, 142, 150; standstill agreements, 59, 60-1, 80; transfer problem, 56 *seqq.*, 73, 78-80, 89, 172.

Frontiers, revision of, 323.

Great Britain, financial relations with, 61, 74.

Italy, clearing agreement with, 15-16, 62.

Mixed Arbitral Tribunals, 142-3, 150, 154 *and n.*, 157.

Poland, commercial agreement with, 15.

Post-war position of, 186, 301.

Rumania:

Clearing agreement with, 62.

Optants dispute: Czechoslovakia and, 150, 153 *seqq.*, 166, 168; Hague settlement—negotiation of, 140-1, 142-3, 165, 166;—provisions of, 143 *and n.*, 153-7 *and n.*, 166-7; history of (1921-9), 138, 139 *n.*, 150-3 *and n.*; Yugoslavia and, 153 *seqq.*; League Council and, 150 *seqq.*, 166, 167; League Financial Committee and, 152, 167; Permanent Court of International Justice and, 155.

Switzerland, clearing agreement with, 15-16, 62.

Trade balance of, 59, 62, 63, 88.

U.S.A., financial relations with, 61, 74.

See also under AUSTRIA; BELGIUM; CZECHOSLOVAKIA; DISARMAMENT; EUROPE: Economic and financial situation; FRANCE; GERMANY; INTER-GOVERNMENTAL DEBTS; REPARATION: East European.

Hymans, Monsieur, 571, 581, 583, 584, 586.

India, 194 *n.*; British policy in, 523-4, 526; Japan, commercial relations with, 10 *and n.* *See also under* BRITISH EMPIRE.

Indo-China, French, 519, 526.

Inouye, Mr. Junnosuke, 425, 427.

Inter-Governmental Debts, 4, 97 *seqq.*

Australia and, 104.

Austria and, 104, 128.

Belgium: debt of, to U.S.A., 117 *n.*, 120 *n.*, 128; loss of, under Hoover Moratorium, 103, 104.

Bulgaria and, 104.

Canada and, 104.

Cancellation of, question of, 99-100, 104-5, 115-16 *and n.*, 117, 132, 134.

Capacity to pay, 122 *and n.*

Czechoslovakia: debts of—to France, Great Britain and Italy, 163;—to U.S.A., 117 *n.*, 120 *n.*, 128, 133 *n.*; gain of, under Hoover moratorium, 104.

Disarmament in relation to, 116 *n.*, 119, 126, 129, 131-2, 239.

Egypt and, 104.

Estonia, debt of, to U.S.A., 117 *and n.*, 128 *and n.*

Finland, debt of, to U.S.A., 128.

France: attitude of, 104, 105-6; debt of, to Great Britain, 114, 126; debt of, to U.S.A.—American discrimination against France, 121, 133;—conversations regarding (Feb. 1933), 136-7;—default (Dec. 1932), 127-8 *and n.*, 128-9, 131 *n.*, 133, 134 *and n.*;—exchange of notes (Nov.-Dec. 1932), 117, 118, 120-1, 123-4, 125-6;—Franco-British relations regarding, 134 *and n.*; loss of, under Hoover Moratorium, 103, 104. *See also below under Hoover Moratorium.*

Franco-British Consultative Agreement and, 115-16.

Germany: gain of, under Hoover Moratorium, 104; U.S.A., payments to, 117 *and n.* *See also below under Hoover Moratorium.*

Gold, payment in, 121, 122, 123, 126-7, 128.

Great Britain: attitude of, 100, 104, 124, 128, 134 *n.*, 135; debt of, to U.S.A., 558;—American attitude regarding, 120-1, 124, 133;—amount of, 122;—Baldwin-Mellon Agreement, 135;—Balfour Note, 104 *n.*, 134 *and n.*;—conversations (Jan.-March 1933), 131 *seqq.*;—exchange of notes (Nov.-Dec. 1932), 117-18, 120-3, 124-5 *and n.*, 126-7 *and n.*, 128;—payment effected (Dec. 1932), 128;—postponable part of debt, 99 *n.*;

debts to, 103, 128; losses of, under Hoover Moratorium, 103, 104 *and n.* Greece and, 141; debts of—to Great Britain, 165;—to U.S.A., 117, 128, 165; loss of, under Hoover Moratorium, 104.

History of, 121-2.

Hoover-Laval Conversations and, 105-6, 108, 115, 117, 118.

Hoover Moratorium, 1, 66, 70, 97 *seqq.*, 114, 117, 123; Agreements regarding—Berlin (6.6.32), 112 *and n.*;—London (11.8.31), 102-3 *and n.*, 112 *and n.*, 170 *and n.*;—with U.S.A. for repayment, 110; announcement of, 99-100; creditor Powers, acceptance by, 100, 101-2; Eastern Reparations and, 168-70; effects of, on financial crisis, 43, 83, 100, 101, 103, 104, 137; experts committee, 102-3, 168, 169, 170; extension of, proposed, 105, 106, 118; financial results of, 103-4; France, negotiations with, 100-2, 103, 242 *n.*; Germany and, 97 *seqq.*; repayments under, 101, 102-3 *and n.*, 110, 170; U.S.A. and, 97 *seqq.*;—attitude of, 100, 105-6, 108;—loss of, under, 103, 104;—ratification of, 107-8, 170 *and n.*

Hungary: debt of, to U.S.A., 117, 128; gain of, under Hoover Moratorium, 104.

Italy and, 100, 103, 111, 143; debt of—to Great Britain, 114;—to U.S.A., 117 *n.*, 128, 133 *n.*; loss of, under Hoover Moratorium, 103, 104.

Japan and, 104.

Jugoslavia: debt of, to U.S.A., 128; loss of, under Hoover Moratorium, 103, 104.

Latvia, debt of, to U.S.A., 117 *and n.*, 128.

Lithuania, debt of, to U.S.A., 117 *n.*, 128, 133 *n.*

New Zealand and, 104.

Poland, debt of, to U.S.A., 117 *and n.*, 120 *n.*, 128 *and n.*

Portugal and, 104.

Postponement of payments: during Lausanne Conference, 110; provisions for, 98, 99. *See also above under Hoover Moratorium.*

Reparations and: cancellation, effect of, 114-15, 115-16, 119 *seqq.*; 'Gentlemen's Agreement', 114, 115-16 *and n.*, 128, 134 *and n.*; inter-

- Inter-Governmental Debts (*cont.*)
 connexion of problems, 1, 98 *and n.*, 100, 104-5, 105-6, 108, 118 *seqq.*, 130-1, 133; Lausanne Settlement, 119, 120, 121, 123, 125 *and n.*, 126, 129, 134 *and n.*, 135, 137.
 Revision, question of, 105, 107, 108, 116 *n.*, 134.
 Rumania: debt of, to U.S.A., 128; gain of, under Hoover Moratorium, 104.
 South Africa and, 104 *and n.*
 Transfer, problem of, 119, 123, 125, 129.
 Unproductivity of, 122, 124-5 *and n.*
 U.S.A. and: Commissions—Congressional, proposed, 119, 120;—World War Foreign Debt, 107-8; compensation, question of, 119, 131 *seqq.*; Congress—attitude of, 99 *and n.*, 100, 107-8, 120, 129, 131, 133;—powers of, 119-20, 127, 130, 132; debts to, negotiations regarding, 117 *seqq.*;—procedure for, 130-1, 132-3; fear of 'united front' of debtors, 116, 117, 118; financial crisis, American, 137; foreign currencies, payment in, 119, 123, 125 *and n.*; Government, attitude of, 98, 105-6, 114-15, 239; Hoover-Roosevelt negotiations, 119-20, 130, 131, 132-3; loss of, under Hoover Moratorium, 103, 104; payments to—capital account, postponement of, 116-17;—defaults on, 117, 127-8;—methods of financing, 133;—position regarding (Dec. 1932), 128; political situation and, 117, 118-20; public opinion and, 105, 108, 114-15, 115-16, 118, 120-1, 124, 129, 131 *and n.*, 133, 134, 135-6. *See also above under Belgium; Czechoslovakia, &c.; Hoover Moratorium.*
 World Economic Conference and, 41-2, 116.
 World Economic problems in relation to, 98, 121, 125, 132-3, 136, 137.
 Young Plan Special Advisory Committee and, 107.
 International Chamber of Commerce, 14, 81.
 International Committee of Intellectual Co-operation, 232.
 International Federation of League of Nations Societies, 118, 195, 210 *n.*
 International Labour Office, Permanent Court of International Justice decision on question of admission of Danzig to membership of, 378 *n.*
 Inukai, Mr., 422, 426-7, 432.
 'Irāq, 194 *n.*—*See also under* LEAGUE OF NATIONS.
 Irish Free State, 176, 194 *n.*
 Italy: Cabinet Ministers, resignation of, 254 *n.*; commercial policy of, 9, 10; dictatorship in, 181, 183; financial policy of, 12, 95; foreign policy of, 181, 183, 186; Great Britain, commercial relations with, 30; Jugoslavia, relations with, 181, 301; share of, in pre-war Austrian debt, 162 *n.* *See also under* AUSTRIA; BULGARIA; CHINA; Japan; DISARMAMENT; EUROPE: Economic and financial situation; FRANCE; GERMANY; GREECE; HUNGARY; INTER-GOVERNMENTAL DEBTS; LEAGUE OF NATIONS; MEMEL: Convention; MUSSOLINI, Signor; REPARATION: East European, German; SECURITY.
 Japan:
 Agricultural population, position of, 423, 428-9, 430.
 Army: connexion of, with political outrages, 426, 427, 428; peasantry, relation to, 423, 428, 430; political power of, 423-4, 428, 430. *See also below under* Finance.
 Constitutional traditions, 464-5.
 Crime, political, 425-7.
 Emperor: attacks on, 425; constitutional position of, 464; references to, in Chinese press, 471.
 'Fascist' movement, 424.
 Finance: Budgets, 424, 429, 430, 432; currency, depreciation of, 10 *and n.*, 429, 431-2; foreign exchange assets of, 96; gold standard, departure from, 422, 423, 431; loans, 429, 430; naval and military expenditure, 424, 429, 430; rural relief, 428-9; stocks, fall in value of, 431-2.
 Foreign trade, 429.
 Great Britain, alliance, termination of, 526.
 Imperialist policy, 181, 183, 293, 436, 468.
 Koreans, crimes committed by, 425, 511.
 Navy, connexion of, with political outrages, 425, 426. *See also above under* Finance.

Political situation in, 176, 422 *seqq.*, 427-8.
 Strength of: strategic, in Far East, 525-7, 550, 550-1 *n.*; superficial nature of, 421-2.
 U.S.A., assaults against subjects of, 425 *n.*
 U.S.S.R.: Japanese occupation of territory of (1918-22), 436; non-aggression pact, proposed, 410, 435, 535. 'War-mindedness' of, 431 *n.*
 Western world, relation to, 424, 431, 465-7.
See also under CHINA; DISARMAMENT; INDIA; INTER-GOVERNMENTAL DEBTS; LEAGUE OF NATIONS; MANCHURIA; MEMEL: Convention; REPARATION: East European, German; SHANGHAI.
 Jehol: Japanese operations on border of, 438; Mongols in, 444, 459; relation of to Three Eastern Provinces, 434, 453, 459.
 Johnson, Dr. Hewlett, 418 *and n.*, 420, 421.
 Jugoslavia: and pre-war Austrian debt, 162 *n.*; exchange control in, 12, 89; loans to, 44, 88, 89 *and n.*; Poland, commercial relations with, 15; post-war situation of, 183, 186; trade balance of, 88. *See also under* AUSTRIA; BULGARIA; DISARMAMENT; EUROPE: Economic and financial situation; HUNGARY: Rumania; ITALY; REPARATION: East European, German.
 Kæckenbeek, Dr., 346 *n.*
 Kaphandáris, Monsieur, 145-6 *n.*
 Kelly, Admiral Sir Howard, 475 *n.*, 506 *seqq.*, 568.
 Kemál, Mustafá, 311.
 Kinney, Mr. Henry W., 450.
 Kjelstrup, Monsieur, 396 *n.*
 Koo, Dr. Wellington, 507 *n.*
 Korea, Japanese rule over, 465.
 Korfanty, Monsieur, 358 *n.*, 359.
 Krynski, Dr., *cited* 344 *n.*
 Kuo Sung-lin, 454 *n.*
 Kuo Tai-chi, 511-12.
 Kwantung, Japanese leased territory of, 452, 460, 466 *n.*
 Lamoureux, Monsieur, 258.
 Lampson, Sir Miles, 510-11.
 Langa-Rascanu, Monsieur, 151, 152.
 Latvia, 301 *n.*; commercial policy of, 9, 10; external debt moratorium declared by, 44. *See also under* DISARMAMENT;

EUROPE: Economic and financial situation; FRANCE; INTER-GOVERNMENTAL DEBTS.
 Laval, Monsieur: and disarmament, 197 *n.*, 269; resignation of, 212; visits U.S.A., 323. *See also under* HOOVER, President.
 Layton, Sir Walter, 38, 103.
 League of Nations:
 Assembly: thirteenth session, 267; special sessions—(1926), 315, 571 *n.*; —(1932)—*see under* CHINA: Japan; and prevention of war, 276.
 China and, 417. *See also under* CHINA: Japan.
 Colombia and, 325.
 Communications and Transit Organization, 396 *n.*
 Council: sessions of:—thirteenth, 388 *n.*; —thirty-fifth, 398 *n.*; —fortieth, 144, 149-50; —forty-first, 146; —forty-fourth, 316, 354; —forty-fifth, 375; —forty-sixth, 375-6; —forty-seventh, 317, 376-7, 400 *n.*; —fiftieth, 348; —fifty-third, 318-19, 355-6; —fifty-fourth, 348, 349 *n.*; —fifty-fifth, 331, 349 *and n.*; —fifty-seventh, 349; —fifty-eighth, 319, 350; —sixtieth, 356, 372 *n.*, 379 *n.*; —sixty-first, 356; —sixty-second, 321-2 *and n.*, 364-8; —sixty-third 322, 353 *n.*, 368-70, 386, 388 *and n.*; —sixty-fourth, 356, 370; —sixty-fifth, 389, 390; —sixty-sixth, 384-5, 390, 404-5, 558 *seqq.*; —sixty-seventh, 41, 351-2 *and n.*, 385, 391, 393; —sixty-eighth, 267; —sixty-ninth, 26, 77, 352; —seventieth, 42, 392-3 *and n.*; and prevention of war, 276; composition of, 315. *See also under* CHINA: Japan; DANZIG; DISARMAMENT; GERMANY; GREECE: Financial situation; HUNGARY: Financial situation, Rumania; MINORITIES; SILESIA, Upper.
 Covenant: Art. 8, 217 *n.*, 218, 219, 249, 255; Art. 10, 547, 560, 561, 565, 567, 578; Art. 11, 559, 560, 561; Art. 12, 583; Art. 14, 405 *n.*; Art. 15, 560, 561, 562, 570, 571, 576-7, 579, 580, 582; Art. 16, 1, 276, 279, 577; Art. 19, 320; Franco-British pact and, 115, 247 *n.*; Great Powers and, 182, 183; provisions of, regarding security, 196-7 *n.*, 201, 271, 273, 279, 282, 308; Stimson non-recognition doctrine and, 272.

League of Nations (*cont.*)

- Economic and Financial Organization, 4, 9, 34, 73; Financial Committee, 4, 34-5, 73 *seqq.*, 77-83, 90, 171-2. *See also under* AUSTRIA; BULGARIA; CREDIT; CURRENCY; DANZIG; EUROPE; GREECE; HUNGARY: Financial situation, Rumania.
- France and, 199 *and n.*, 260. *See also under* DISARMAMENT: International police force.
- Germany and, 12; admission of, to membership, 315, 316, 396 *n.*, 571 *n.*; attitude of, 321, 365.
- Great Britain and, 260, 308.
- 'Iraq, admission of, to membership, 194 *n.*
- Italy and, 260, 291, 351.
- Japan and, 352.
- Persia and, 352.
- Poland and, 315, 316.
- U.S.A. and, 224, 260, 271, 272, 307-8. *See also under* AUSTRIA; BULGARIA; CHINA: Japan; CREDIT; DANZIG; DISARMAMENT; ESTONIA; EUROPE; GERMANY: Poland; GREECE; HUNGARY; MEMEL; SECURITY; TARIFFS.
- Liapčev, Monsieur, 140.
- Liberia, 194 *n.*
- Lindsay, Sir R. C., 118 *n.*, 134-5, 136.
- Lithuania, 301 *n.*; commercial and financial policy of, 9, 12; martial law, 400 *n.*, 401; Poland, dispute with, 317 *and n.*, 394 *seqq.*, 399-400 *n.*; U.S.S.R.—non-aggression pact signed with, 399-400 *n.*;—relations with, 399. *See also under* DISARMAMENT; EUROPE: Economic and financial situation; GERMANY; INTER-GOVERNMENTAL DEBTS; MEMEL.
- Little Entente, 301.
- Litvinov, Monsieur: and Disarmament Conference, 218, 219, 242, 266-7;—and July resolution, 254 *and n.*, 256-7;—speech by (11.2.32), 206-7; on relations with China, 537.
- Loucheur, Monsieur, 143 *n.*, 153.
- Luxembourg, 194 *n.*
- Lyons, Mr., 31.
- Ma Chan-shan, General, 437-8, 447.
- MacDonald, Rt. Hon. J. Ramsay: and Disarmament Conference, 225 *and n.*, 287, 288; and Franco-Italian naval problem, 225 *n.*; and German equality of status—conversations

- regarding, 224-5, 226, 236, 237, 238;—conference on, 268, 287, 288 *n.*
- and inter-governmental debts, 126, 135, 136.
- and Lausanne Conference, 110, 112, 114, 236.
- and 'Kellogg Pact', 272.
- Conversations of, with M. Tardieu, 223.
- visits to U.S.A.—(1929), 541;—(1933), 135, 136.
- McIntosh, Mr., 450.
- Madariaga, Señor de, 186 *and n.*, 208 *n.*, 215 *n.*, 235 *and n.*, 243 *n.*, 295.
- Makino, Baron, 427.
- Manchuria:
- Administration of: before Sept. 1931, 453-5, 468-9; disorganization of, after Japanese coup, 455-6.
- Agriculture in, 441, 446, 447; and nomadism, 443-4.
- Brigandage in, 439, 446, 447, 450-1, 454, 455.
- Centre of gravity of, 434, 448.
- Economic and financial position of, 440, 455. *See also below under* MANCHUKUO.
- Foreigners, outrages against, 450-1.
- Japanese policy in, before 1931, 454-5 *n.*
- Kuomintang, relations with, 454-5, 469.
- Manchukuo:
- Administration: geographical reorganization of, 459; Japanese participation in, 458-9, 460, 470.
- Army, 451, 456.
- Capital of, 457.
- Control of, Japanese, 458-60.
- Customs revenue, 466 *and n.*
- Economic relations with Japan, 446, 469-70.
- Erection of: 433, 436, 452 *seqq.*; Japanese motives for, 463 *seqq.*; precedents for in Western and American history, 465, 466 *and n.*; significance of, 452; steps taken, 453, 456 *seqq.*
- Fictitious nature of, 433, 436, 442, 448 *n.*, 451, 452, 456, 458-9, 463-4, 467, 468, 469, 544.
- Police, 451, 456.
- Presidency of, 442, 457.
- Public services, 452, 460, 463.
- Recognition of: Japanese, 433, 452, 461-2, 514, 583, 584-5; request to Powers for, 461, 553-4; U.S.S.R. and, 554-5.

- Population: Chinese—attitude of, towards Manchukuo, 445-7, 456, 468;—emigration of, 440, 445, 447, 455;—immigration of, 440, 444, 454; elements, various—reaction of, to Japanese action, 433, 436, 439, 440 *seqq.*;—relations between, 441, 446, 459-60; Japanese, 444; Koreans, 441, 446, 459; Manchus, 441-2, 448 *n.*; Mongols, 441, 442, 443-5, 459; numbers of, 440, 441; Soviet Russians, 441; White Russians, 434, 436, 441, 442-3.
- Railways:
Administration of, under Manchukuo, 460.
Changchun-Harbin line, 435.
Changchun-Rashin line, 448-9.
Chinchow-Peipiao line, 438.
Chinese Eastern Railway: Japanese and, 434, 448-9;—military operations along, 437, 438, 439;—transport of troops on, 435-6; traffic, interruption of, 439; U.S.S.R. and, 435-6, 448-9, 534-5.
'Hold-ups' on, 450.
Peiping-Mukden line, 449, 455, 542 *n.*
South Manchurian Railway, 448, 449, 452, 460, 534.
Ssuningkai-Taonanfu line, 449.
Ssuningkai-Tsitsihar line, 434.
'Special Administrative District', 453, 459
U.S.S.R.: agreements with, 417, 536; dispute with (1929), 272, 439, 440, 535, 536; frontier with, 534, 554.
See also under JEHOI; MUKDEN.
- Marin, Monsieur, 85, 86.
Marx, Dr., 316.
Massigli, Monsieur, 299.
Matsudaira, Mr., at Disarmament Conference, 205, 206, 207, 243; and Sino-Japanese dispute, 437, 483, 572, 573, 574.
Matsuoka, Mr., 507, 535.
Memel:
Conflicts between Governor and *Landtag*—(1924-30), 397-8 *and n.*, 399, 400-1.—(1932), Böttcher case, 401-8.
Convention (8/17.5.24), 394 *and n.*, 395 *and n.*, 398 *and n.*; Art 17, 398 *n.*, 405 *and n.*; signatories of, action by, 398 *and n.*, 401 *and n.*, 405-6, 407; signed by France, Great Britain, Italy, and Japan, 395.
Directorate, Governor's right to dismiss, 402 *seqq.*
- Economic situation, 397.
Elections—(1925), 398;—(1927), 399 *and n.*;—(1930) 400-1;—(1932) 406-7 *and n.*, 408.
Financial questions, 397 *and n.*, 398, 401 *and n.*
German character of, 394 *and n.*, 395.
German officials in, status of, 403 *n.*
Germany: questions referred to League Council by, 396, 398 *n.*, 400-1, 404, relations with, 402, 403 *and n.*, 405-6 *n.*, 407; representations made by regarding Böttcher case, 405.
Judicial questions, 398 *n.*, 400, 401 *and n.*
League of Nations, position of in relation to, 395-6 *and n.*, 398 *n.*; questions referred to regarding, 396 *seqq.*, 404-5 *and n.*, 406.
Lithuania: attitude of regarding, 395, 396 *n.*, 398 *n.*; seizure by (1923), 394-5, 408 *n.*
Martial law in, 400 *and n.*, 401 *and n.*
Permanent Court of International Justice; decision by regarding Böttcher case, 403, 408; questions referred to, 398 *n.*, 404 *seqq.*
Poland and, 317, 404 *n.*; corridor, suggested exchange of for, 317; port facilities provided for, 395 *n.*
Putsch, fear of, 403 *and n.*, 404 *n.*
Statute, 394 *seqq.*; Art. 15, 398 *n.*, 403 *and n.*, Art. 17, 402, 403 *and n.*
See also under BÖTTCHER, Herr.
Merkys, Colonel, 402 *seqq.*; resignation of, 407.
Mexico, 44. *See also under* DISARMAMENT.
Mills, Mr., 116.
Minorities: League Council and protection of, 364-5. *See also under* DANZIG; GERMANY: Poland; MEMEL; SILESIA, Upper.
Molov, Monsieur, 145 *n.*
Mongol Empire, the, 443, 444.
Mongolia, Outer, Soviet Republic of, 418.
Mongols, *see under* JEHOI; MANCHURIA.
Moore-Brabazon, Lieut.-Colonel, 190.
Morocco, French protectorate over, 465.
Motta, Monsieur, 196 *n.*, 574, 577.
Moulton, H., *cited* 145 *n.*, 148 *n.*
Mowll, Bishop, 413.
Mukden: civil administration, disorganization of, 455; nominal Chinese municipality in, 456. *See also under* CHINA; JAPAN.

- Müller, Dr. Hermann, 341.
- Murai, Mr., 472, 473, 474, 476, 486, 491, 503, 511.
- Mussolini, Signor: and Franco-Italian relations, 222, 291-2; and German equal status, 222, 260, 262 *n.*, 291-2; and Italo-Yugoslav relations, 310; foreign policy of, 181, 222, 260,—speech on (23.10.32), 291-2.
- Muto, General, 461.
- Nadolny, Herr, at Disarmament Conference, 214, 217 *n.*, 219, 223, 237-8, 243;—declaration by (22.7.32), 254, 255-6;—proposals made by, 204-5 *n.*
- Nagaoka, Mr., 585.
- Nanking, Central Government removed from, 412, 485, 489. *See also under* CHINA: Japan.
- Nationalism, rise of, 531.
- Netherlands: Bulgarian Refugee Loan partly issued in, 146; Debt Conversion in, 95; Great Britain, commercial relations with, 30. *See also under* AUSTRIA; CHINA: Japan; DISARMAMENT; GERMANY; REPARATION: German; TARIFFS.
- Neurath, Baron von, 260, 267, 286 *seqq.*
- Newfoundland—*See under* BRITISH EMPIRE.
- New Zealand, economic position of, 10, 532. *See also under* BRITISH EMPIRE; CHINA: Japan; DISARMAMENT; INTERGOVERNMENTAL DEBTS.
- Nicaragua, 12, 176, 194 *n.*
- Niemeyer, Sir Otto, 76.
- Nitobe, Dr. Inazo, 425-6.
- Nomadism, 443-4.
- Nomura, Vice-Admiral, 488, 507 *n.*, 511.
- Norway: commercial policy of, 9, 38; financial situation of, 12, 38, 95; Great Britain, commercial relations with, 38-9, 40; U.S.S.R., commercial agreement with, 15. *See also under* DISARMAMENT.
- Ottawa Conference—*see under* BRITISH EMPIRE.
- Panama, 176, 194 *n.*
- Papen, Herr von, 260 *n.*, 262 *n.*, 324, 341 *n.*, and disarmament, 188, 237-8 and *n.*, 258, 265-6, 280; and unemployment relief, 48-9; at Lausanne Conference, 111, 112, 114; forms ministry, 177, 213; resignation of, 180, 286.
- Pappee, Monsieur, 387 *n.*
- Paraguay, 194 *n.* *See also under* BOLIVIA.
- Pasvolosky, Leo, *cited*, 145 *n.*, 146 *n.*, 147 *n.*, 148 *n.*
- Paul-Boncour, Monsieur: and Disarmament Conference, 220, 237, 267, 288 *n.*; —and French proposals (Nov. 1932), 273, 274 *n.*, 275, 293;—on U.S. proposals, 220, 242, 243; and Sino-Japanese dispute, 514 *n.*, 559, 561, 562, 565, 567, 568-9, 571.
- Pawley, Mrs., 450.
- Penlington, Mr. J. M., 450.
- Permanent Court of International Justice—*see under* DANZIG; HUNGARY: Rumania; INTERNATIONAL LABOUR OFFICE; MEMEL; SILESIA, Upper.
- Persia, economic and financial policy of, 3 *n.*, 10. *See also under* DISARMAMENT; LEAGUE OF NATIONS.
- Peru, 3 *n.*, 194 *n.* *See also under* COLOMBIA.
- Philippine Islands, the, 184, 517, 519, 526.
- Pilotti, Signor, 294.
- Pilsudski, Marshal, 306, 311, 327 *n.*, 342, 358 *n.*
- Pless, Hans Heinrich, Prince of, 352-3 *n.*
- Poland: and pre-war Austrian debt, 162 *n.*; constitutional situation, 333-4; currency, depreciation and revalorization of, 306, 338-9, 373 and *n.*; Eastern Galicia, minorities in, 368 *n.*; economic development of, 305-6, 335 and *n.*, 336, 383; elections (Nov. 1930), 321, 333, 358-9 and *n.*—*See also under* GERMANY: Poland; financial situation—(1925-6), 306, 327 and *n.*, 373 and *n.*, —(1932), 88; frontier of, 303 *n.*—*see also under* GERMANY: Poland; Great Britain—commercial relations with, 30, 306;—investments in, 67, 383 *n.*; loans, to 88, 383 *n.*; 'May Revolution', 327 and *n.*; post-war position of, 183, 186, 301, 310-11; public debt of, 383 *n.*; ratification of treaties by, 333-4, 342; trade balance of, 88, 335 and *n.*; U.S.A., investments in by, 383 *n.*; U.S.S.R.—relations with, 303 *n.*, 304, 313 *n.*;—Russo-Polish war, 305 *n.*, 371 *n.*; unemployment in, 373. *See also under* AUSTRIA; BULGARIA; CZECHOSLOVAKIA; DANZIG; DISARMAMENT; ESTONIA; EUROPE: Economic and financial situation; FRANCE; GDYNIA; GERMANY; HUNGARY; INTER-

- GOVERNMENTAL DEBTS; JUGOSLAVIA;
LEAGUE OF NATIONS: LITHUANIA;
MEMEL; REPARATION: East European,
German; SECURITY; SILESIA, Upper;
TARIFFS.
- Politis, Monsieur, and Disarmament Conference, 214, 274.
- Pomorze, 350-2 *and n.*, 364 *and n.*, 366.
- Porter, Representative, 297 *n.*
- Portugal, 194 *n.*; commercial policy of, 9, 10; exchange control in, 11, 12.
See also under CHINA: Japan; INTER-GOVERNMENTAL DEBTS; REPARATION: East European.
- Poznań, 312 *n.*, 320, 331, 350-2 *and n.*, 364 *and n.*, 366.
- Prices, fall in (1929-32), 43, 62; agrarian states and, 23, 24, 26; intergovernmental debts and, 98, 107, 122-3, 172; international loans and, 42-3, 75, 78, 89, 95, 172; trade restrictions and, 7, 16, 19, 42-3; World Economic Conference and, 41.
- Prussia, East, 313 *and n.*, 403; agrarian relief in, 340-1 *n.*; fear of attack on, 261-2, 314, 324, 325 *and n.*; *Landtag* election in, 176, 212.
- Pu Yi, Mr. Henry, 442, 456, 457.
- Quiñones de León, Señor, 389 *n.*
- Rauscher, Herr Ulrich, 339 *and n.*
- Reed, Senator, 270 *n.*
- Reparation, East European, 137 *seqq.*
Agreements regarding: Bulgarian and Hungarian moratorium protocols (21.1.32 and 7.7.32), 168 *n.*, 170 *and n.*; Bulgarian reparation and occupation costs protocols (21.3.23 and 28.3.24), 147, 148; Conventions regarding Hungarian Funds A and B, 21.8.31) 157 *n.*; Czechoslovak moratorium protocols (11.8.31 and 29.6.32), 169, 170 *n.*; Finance Ministers' Agreement (14.1.25), 161 *and n.*; Hague Agreements (20.1.30), 139, 143 *and n.*, 144-5, 165-7, 168 *seqq.*—*see also below under* Austria; Bulgaria; Creditor Powers; Czechoslovakia. Hungary; Paris Agreement (11.3.22), 161-2 *and n.*; Paris Agreement (28.4.30), 143 *and n.*, 153-9, 166; Spa Protocol (16.7.20), 160-1, 162, 163 *n.*
- Austria: financial reconstruction and, 138-9, 143-4; Hague settlement—negotiation of, 139-40, 141-2, 143 *and n.*;—provisions of, 144-5, 148, 158, 165, 166; property ceded by, 144, 163 *n.*; situation regarding (1919-29), 138-9, 143-4, 160, 162 *n.*, 163 *n.*; special claims against, 141-2.
See also below under Debtor States.
- Belgium and, 138, 155 *n.*, 156 *n.*, 160-1, 164 *n.*, 171.
- British Dominions and, 138, 155-6, 160-1, 171.
- Bulgaria: Hague settlement, 143, 165, 166—negotiation of, 139 *seqq.*;—provisions of, 144, 147-9, 156, 158, 164; Yugoslav claim against, 145 *and n.*; payments by—amount of, 142, 145 *and n.* 147 *and n.*, 148 *n.*;—distribution of, 156 *and n.*, 160, 164 *and n.*, 165;—postponement of, provision for, 147-8;—suspension of, 66, 67 *n.*, 168 *n.*, 169-70, 171; refugee settlement and financial reconstruction in relation to, 146-7, 148; situation regarding (1919-29), 138, 139, 145-7, 160; war debts in relation to, 149
- Ceded properties, 139, 140 *seqq.*, 157, 159-60, 163-5. *See also above under* Austria; *and below under* Hungary.
- Conferences on: Hague (1929), 139-40, 141, 165; Hague (1930), 139, 141-3, 144-5, 147-9, 153-9, 162-7, 172;—results of, summarized, 165-7;—settlement reached at, breakdown of, 139, 172; Lausanne (June-July 1932), 139, 170-1; Paris (Technical Committee, Oct.-Nov. 1929), 140-1, 142, 153, 167; Paris (Feb.-April 1930), 143 *n.*, 153; Spa (July 1920), 160.
- Creditor Powers, Hague Agreement with, 143 *and n.*, 163-5.
- Czechoslovakia: and pre-war Austrian and Hungarian debt, 162 *n.*; as creditor, 138, 141, 164; Liberation Debt, 138, 159 *seqq.*—amount of, 141, 159, 163;—Hague Settlement, 141, 143, 156, 163-4, 165, 167;—suspension of payments, 169-70, 171.
- Debtor states: claims between, waiving of, 144, 148, 158; financial independence restored to, 144-5, 148, 149, 158, 165.
- Distribution of, 141, 142, 143, 155-6, 159 *seqq.*, 166-7.

Reparation, East European (*cont.*)

France and, 138, 140, 153, 155-7, 160-1, 164-5, 168, 171.

German Reparation in relation to, 161-2 *n.*, 163 *n.*

Germany: claims against, 144, 148, 158; liability of, 138.

Great Britain: and Hague Settlement, 140, 153, 155-7, 164-5, 166-7; and moratorium, 168, 171; share of, under Spa Protocol, 160-1.

Greece, 138, 171; and pre-War Bulgarian debt, 148 *n.*; and suspension of Bulgarian and Hungarian payments, 169-70; share of, 161, 164-5.

Hungary: financial reconstruction and, 142; Fund A, 154-7, 158, 164, 168, 170; Fund B, 156 *n.*, 157 *and n.*, 158, 168; Hague Settlement—negotiation of, 140-1, 142-3, 153;—provisions of, 143, 144, 153-9, 164-5, 166, 167; Optants question—*see under* HUNGARY: Rumania; payments by—amount of, 142, 158;—suspension of, 168 *seqq.*; property ceded by, 142; situation regarding (1919-29), 138, 139, 149-50, 159, 160, 162 *n.*; special claims against, 142, 143, 158.

Italy: and Hague Settlement; 144, 153, 155-7, 164-5, 168; Liberation Debt, 159, 160-2; situation regarding (1919-29), 138, 159, 160-2, 163.

Japan and, 138, 155-6, 160-1, 164.

Jugoslavia: Hague Settlement, 141, 148 *n.*, 154-7, 164-5, 166-7; Liberation debt, 159-62; moratorium, 168 *n.*, 171; situation regarding (1919-29), 138, 145, 159-62.

Liberation Debts, 139, 140, 141; Hague Settlement, 139-40, 141, 143, 156, 162-4, 165, 167; moratorium, 169-70; situation regarding (1919-29), 138, 159-63. *See also above under* Czechoslovakia; Italy; Jugoslavia.

Liquidation of property, 145, 148 *n.*, 150, 158.

Occupation costs, 145, 147.

Poland and, 141, 159, 162, 163 *n.*

Portugal and, 138, 155-6, 160-1, 164, 171.

Reparation Commission and, 139, 142, 143-4, 145, 146, 148, 159-60, 161, 163, 164, 166.

Rumania: Bulgarian payments to,

148 *n.*; and Hague Settlement, 141, 148 *n.*, 153-7 *n.*, 164, 166-7; and moratorium, 168, 171; situation regarding (1919-29), 138, 150 *seqq.*, 159-62.

Switzerland and, 157 *n.*

War debts in relation to, 143, 148-9, 163.

World crisis and, 139, 167-8, 171-2.

Young Plan and, 139, 141.

See also under INTER-GOVERNMENTAL DEBTS.

Reparations, German:

Agreements regarding—*see below under* Hague; Lausanne.

Annuities: conditional, 98-9, 102-3, 106, 107, 109; unconditional, 70, 100, 101, 103, 106, 109, 110

Belgium and, 107 *and n.*, 114, 161, 171.

'C' bonds, 161-2.

Cancellation of, 100, 105, 110-11, 112, 113.

Commercial debts in relation to, 106.

Danzig, liability of, 374-5 *and n.*

Dawes Plan, 98 *n.*

Deliveries in kind, 101, 102, 103.

Disarmament and, 108. *See also below under* Lausanne Conference.

Distribution of receipts, 161-2, 163.

European reconstruction fund, compensatory payment to, 111-13.

France: attitude of, 100, 104, 106, 110-11; and Gentlemen's Agreement, 114; and Guarantee Fund, 101; and preparations for Lausanne Conference, 108-10; at Lausanne, 110-13, 114; negotiations with Germany, 106.

'Gentlemen's Agreement', (2.7.32), 113-14 *and n.*

Germany: attitude of, 104, 106, 109; and Special Advisory Committee, 106-7; at Lausanne Conference, 111-12; capacity to pay, 106, 111; total liability of, 161.

Great Britain: attitude of, 106, 113; and Gentlemen's Agreement, 114, 115; and negotiations preceding Lausanne Conference, 109-10; at Hague Conference, 163, 166-7; at Lausanne Conference, 110, 112 *and n.*; receipts of, under Lausanne Agreement, 134.

Greece and, 161 *n.*, 169-70 *and n.*

Guarantee Fund, 101-2.

Hague Agreement (20.1.30), abrogation of, 112 *and n.*

- Hague Conference, the, 163 *n.*, 166-7.
 Italy and, 107 *n.*, 109, 111, 112 *n.*, 114, 161-2.
 Japan and, 107 *n.*
 Yugoslavia and, 107 *n.*, 161-2, 168.
 Lausanne Conference, 4, 38, 39, 95, 108 *seqq.*; agreements concluded at, 112-15, 117, 134 and *n.*, 135; Central and Eastern European questions discussed at, 23, 41, 54, 84; Disarmament Conference in relation to, 213, 234, 236 and *n.*, 239, 247; German political demands at, 112, 113; negotiations preceding, 108-10; object of, 109; President's opening speech, 236; postponement of, 109; proceedings of, 110-12; states represented at, 171; suspension of payments during, 118; U.S. participation in suggested, 109. *See also* under REPARATION: East European.
 Liquidation of the past, 112 *n.*
 Loans: Dawes, 48 *n.*, 101, 102, 103; Young, 48 *n.*, 101, 102, 103.
 Moratorium: Hoover, 98 *seqq.*;—extension of, suggested, 109, 110;—financial results of, 103-4;—*see also* under INTER-GOVERNMENTAL DEBTS; Young Plan's provisions regarding, 98-9, 103, 106-7.
 Netherlands and, 107 *n.*
 Occupation costs, 375.
 Payments: amount of, 11, 113; financing of, by loans, 97; German trade balance and, 6, 47; reduction of, 134.
 Poland and, 163 *n.*
 Railways, German, 101, 103, 107, 109.
 Rumania and, 161 *n.*, 171.
 Schedule of Payments (May 1921), 161 and *n.*
 Special Advisory Committee, 103, 106-7, 108.
 Sweden and, 107 *n.*
 Transfer, question of, 98-9, 113.
 U.S.A., attitude of, 100, 102, 104-5, 105-6, 107 *n.*, 109 *n.*, 113, 114-15.
 World crisis and, 98, 107.
 Young Plan, 70, 98 *n.*, 100, 103, 106, 107, 327, 331, 333.
See also under BANK FOR INTERNATIONAL SETTLEMENTS; INTER-GOVERNMENTAL DEBTS.
 Rheinbaben, Baron, 227 *n.*
 Rollin, Monsieur, 9.
 Roosevelt, President: and intergovernmental debts, 99 *n.*, 119-20, 130 *seqq.*; and security, 273 *n.*; on disarmament, 130; special powers voted to, 181.
 Rosting, Monsieur, 373 *n.*, 392, 393 and *n.*
 Rumania: and pre-war Austrian debt, 162 *n.*; and exchange control, 3 *n.*, 12, 13, 89; commercial policy of, 9, 10; elections in, 176; loans to, 88, 89; post-war position of, 183, 186. *See also* under AUSTRIA; DISARMAMENT; EUROPE; Economic and financial situation; GERMANY; HUNGARY; INTER-GOVERNMENTAL DEBTS; REPARATION: East European, German; SECURITY.
 Sahn, Dr., 375, 377, 387 *n.*
 Saionji, Prince, 428.
 Saito, Admiral, 428, 432.
 Salter, Sir Arthur, and League Loans, 76; on Sino-Japanese dispute, 527-8 *n.*, 528-9 *n.*
 Salvador, 194 *n.*; financial position of, 12, 44.
 Sassoon, Sir Philip, 190.
 Sato, Mr., 559, 561, 562, 564, 567, 569, 580, 581.
 Sa'udi Arabia, 194 *n.*
 Schacht, Dr. Hjalmar, 48.
 Schiele, Herr, 341.
 Schleicher, General von, and disarmament, 258-9 and *n.*, 260, 261-2, 289, 325 and *n.*; and German internal politics, 260 *n.*, 341 *n.*; on East Prussia, 261-2, 325 *n.*
 Schober, Herr, 141.
 Schreiber, Dr., 407.
 Scialoja, Signor, 149.
 Scullin, Mr., 4, 31.
 Security:
 Aggression, definition of, 199, 276, 281.
 Collective system, effect of Sino-Japanese dispute on, 1, 271, 272, 273, 403 and *n.*, 409, 516 *seqq.*, 526, 529, 531, 539, 558, 575-7.
 Consultation: pact for, proposed, 224; provision for, question of, 244, 271, 273, 275.
 Czechoslovakia and, 199, 276 *n.*, 309, 520.
 Dominions, British, attitude of, 200, 308, 309, 311, 531, 533.
 Europe: mutual assistance pact, proposed, 276 and *n.*; non-aggression declaration regarding (11.12.32), 282-3, 288-9, 290.
 France and, 129, 184; collective system, attitude of regarding, 520-2;

Security (*cont.*)

- Great Britain—consultative agreement and conversations with, 223;—guarantees desired from, 175, 187, 188, 307 *seqq.*; policy of—(1919-31), 196-7 *n.*, 308-10, 317-18;—(1932), 223 *and n.*, 233 *and n.*, 237, 243, 248, 259, 265, 269-70, 288-9; proposals made by—(Feb. 1932), 196-9, 201, 212, 214-15, 217, 223 *and n.*, 242, 269-70, 274, 275-6 *and n.*;—(Nov. 1932), 270, 274-6 *and n.*, 279, 281, 282; U.S.A.—conversations with, 224, 291;—guarantees desired from, 175, 187, 188, 307 *seqq.*
- Geneva Protocol and, 308.
- Germany and, 204, 237 *n.*, 259 *and n.*, 276 *n.*, 288-9, 290.
- Great Britain and, 184, 191, 223, 288-9, 311, 521, 529, 577; and French proposals (Nov. 1932), 270, 275-6, 279, 281, 282; policy of (1919-32), 187, 188, 307 *seqq.* *See also above under France.*
- Great Powers and, 1, 176-7, 182-6 *and n.*
- Hoover-Laval conversations and, 105.
- Italy and, 276 *n.*, 288-9.
- League of Nations, functions of regarding, 275-6.
- Locarno treaties and, 279 *and n.*, 308, 312-13, 315.
- Poland and, 199, 276 *n.*, 309, 310.
- Rumania and, 199, 309.
- Sanctions, 1, 200, 272 *seqq.*, 279.
- Smaller Powers, attitude of, 184-6, 517, 520, 531, 532 *n.*, 558, 575-7.
- Spain and, 276 *n.*
- U.S.A.: and French proposals (Nov. 1932), 270, 273, 275, 279, 281, 282; attitude of, 184, 200, 202, 223, 224, 244, 270-3, 517, 520, 537, 539, 558; policy of (1919-32), 184, 187-8, 307 *seqq.* *See also above under France.*
- U.S.S.R. and, 207.
- See also under* ARBITRATION; DISARMAMENT; LEAGUE OF NATIONS; Covenant.
- Serbia, 183, 184.
- Severing, Herr, 322.
- Shanghai:
- Communist propaganda in, 416.
- French settlement, 497, 568.
- Great Britain, action of in 1927, 496-7, 538.
- Importance of, as trading centre, 409, 410, 526.
- International Settlement.—*See under* CHINA: Japan.
- Japanese population of, 478, 502 *n.*
- Korean bomb outrage, 425, 511.
- Municipal Council: and anti-Japanese boycott, 470 *n.*; and Japanese control of Hongkew district, 484, 499 *n.*; and use of settlement as Japanese base of operations, 497, 498; roads belonging to, 476-7; state of emergency declared by, 475, 476, 479, 480, 495.
- Municipal police, 475 *n.*, 478, 480, 484, 485 *n.*, 499 *n.*
- Recuperation of, 421.
- Shooting incident (30.5.25), 524.
- Sino-Japanese conflict—*see under* CHINA: Japan.
- Volunteer Corps, 475 *n.*, 481, 499.
- Shearer, Mr. W. B., 296.
- Shigemitsu, Mr., 502, 511.
- Shiozawa, Rear-Admiral Koichi, 473 *seqq.*, 482, 483, 486 *n.*, 487, 489, 495, 498, 499, 503, 504.
- Shirakawa, General, 493, 508, 511.
- Siam, 3 *n.*, 9, 194 *n.*
- Silesia, Upper:
- Geneva Convention (15.5.22), 334, 346 *and n.*, 349, 355, 356, 361 *n.*, 366-7, 368.
- German: League Council, appeals to regarding, 346, 348-50 *and n.*; minority schools in, 347-9 *and n.*; Oppeln theatre incident, 318, 349 *and n.*; Polish language, use of, 349 *and n.*; Polish minority—acquisition of land by, 350;—numbers of, 344;—position of, 345, 346, 347 *n.*
- Minorities, procedure regarding, 346 *and n.*, 356.
- Partition of, German campaign against, 312 *n.*, 318, 320, 322, 323, 345, 371.
- Polish: anti-German demonstrations in, 320, 322-3, 360-1; coal arrangement with Germany, 334; *Deutscher Volksbund*—activities of, 354 *seqq.*;—Polish accusations against, 352, 355, 356, 357-8; elections—(1926-30), 319, 359;—(Nov. 1930), 321-2, 352, 358-70; espionage cases, 315, 357-8; German minority in,—numbers of, 344;—position of, 345-6; German nationals expelled from, 316, 337 *and n.*; League Council, appeals to,

- 346, 353 *n.*, 357;—regarding minority schools in, 318, 354–6 *and n.*, 357;—regarding election incidents in, 321–2, 352, 359, 361–70; liquidation of property in, 316, 329;—Chorzow factory case, 316, 317, 329–31, 332 *n.*; minority schools in, 316, 347, 352, 353–7 *and n.*;—Permanent Court of International Justice and, 316, 329–31, 353 *n.*, 354, 355, 356; Pless case, 352–3 *n.*; Ulitz case, 318 *and n.*, 357–8 *and n.*; Union of Silesian Insurgents, 361 *seqq.*
- Simaitis, Monsieus, 405, 406, 408.
- Simko, 438.
- Simon, Sir John:
and Anglo-French consultative agreement, 247 *n.*
and Disarmament Conference, 196, 213–14, 217 *n.*, 219, 236, 242, 244, 267, 287, 288 *n.*; and equal status question, 267, 268, 282 *seqq.*, 293;—and July resolution, 246, 248, 256;—and qualitative disarmament resolution, 219–20;—speech by (8.2.32), 200–1, 203, 205, 209; statements by in House of Commons, 233 *n.*; 244, 282–3, 284.
and Lausanne Conference, 110.
and Sino-Japanese dispute: conversations with Japanese Ambassador, 498, 544; diplomatic methods of, 529–30, 539–40; in Special Assembly (7.3.32) 553, 577–8; on recognition of Manchukuo, 554; on Shanghai crisis, 498, 504 *n.*, 552, 563, 564, 568, 569.
- Simpson, Sir John Hope, 414, 420, 487–8 *n.*
- Sirianni, Admiral, 222 *n.*
- Smaller Powers—*see under* CHINA: Japan; DISARMAMENT; SECURITY.
- Smogorzewski, Monsieur Casimir, *cited*, 332 *n.*, 344 *n.*
- Snowden, Viscount, 163, 165–7 *and n.*
- Sokal, Monsieus, 369.
- South Africa, 194 *n.*; economic and financial policy of, 3 *n.*, 9. *See also under* BRITISH EMPIRE; CHINA: Japan; GERMANY; INTER-GOVERNMENTAL DEBTS.
- South African War (1899–1902), 184.
- Southern Rhodesia—*see under* BRITISH EMPIRE.
- Spain: commercial policy of, 9, 10; exchange control in, 11, 12; U.S.A., war with (1898), 184. *See also under* CHINA:
- Japan; DISARMAMENT; FRANCE; SECURITY.
- Stimson, Mr.:
and disarmament, 202, 224, 225, 226 *and n.*;
and Sino-Japanese dispute: conversations with Japanese Ambassador, 556–7; letter to Senator Borah (24.1.32), 410, 548–52, 578; note of 7.1.32 to China and Japan, 410, 540–1, 542, 544, 545, 547, 548, 555, 556, 557, 560; on Japanese action at Shanghai, 498; on League Assembly resolution (11.3.32), 553;
speeches of: (8.8.32), 175–6, 188 *and n.*, 271–3 *and n.*, 279, 282, 555–6; (1.10.32), 557;
visits Europe (1932), 224 *and n.*, 226 *and n.*, 270–1, 557.
- Strasburger, Monsieur, 379, 386 *and n.*, 387 *and n.*
- Stresa Conference—*see under* EUROPE: Economic and financial situation.
- Stresemann, Dr.: and German-Polish relations, 316–17, 328 *n.*, 337;—and commercial negotiations, 316–17, 319, 337, 339;—and Upper Silesia, 318, 356, 357 *n.*; and Memel, 317 *n.*, 399; death of, 319; foreign policy of, 177 *and n.*, 188, 316, 321.
- Su Ping-wen, General, 438–9, 447.
- Successor states: Anglo-American post-war behaviour towards, 307–8, 309; French attitude regarding, 308–10. *See also under* REPARATION: East European.
- Sueter, Rear-Admiral, 190, 192.
- Sun Fo, 412.
- Suvich, Monsieus, 57.
- Sweden: financial position of, 11, 38, 95; Great Britain, commercial relations with, 30, 38–9, 40. *See also under* DISARMAMENT; GERMANY; REPARATION: German; TARIFFS.
- Switzerland: commercial policy of, 9; loans issued in, 146. *See also under* AUSTRIA; BULGARIA; CHINA: Japan; DISARMAMENT; GERMANY; HUNGARY; REPARATION: East European.
- Syria, French military occupation of, 443.
- Sze, Mr., 559.
- Szterenyi, Baron Joseph, 151.
- Tanaka, Count Koken, 428.
- Tardieu, Monsieus André: and Danubian states, 22–3, 220 *n.*, 222, 223; and dis-

Tardieu, Monsieur André (*cont.*)

armament, 217, 220 *seqq.*, 263 *n.*, 269, 270;—and Franco-Italian naval question, 221-2;—and five-Power conversations, 224, 225, 226;—and French plan (Feb. 1932), 196, 197, 201, 212 *seqq.*, 233, 275 *n.*; forms ministry, 212; resignation of, 213.

Tariffs:

Australia, policy of, 4, 31.
 Belgium, policy of, 9, 38-40.
 Belgo-Dutch convention (1932), 33, 38-40.
 China, policy of, 10.
 Creditor countries, policy of, 42-3, 81.
 Denmark, policy of, 7-8, 9, 13, 38.
 Exchange dumping duties, 7, 10 *and n.*, 16, 18, 19, 32, 134.
 France, policy of, 9, 16-18.
 Germany, policy of, 7-8, 12, 18-19, 306, 334 *seqq.*, 340-2 *and n.*, 343 *and n.*, 396, 400.
 Great Britain, policy of, 5-7, 9, 10, 27, 37; and Belgo-Dutch convention, 33, 37, 38, 40; tariffs increased by, 5-6, 29-30; U.S.A., relations with regarding, 123, 124, 132, 135.
 Increase in, 3, 4-11, 12, 13, 55, 62.
 League of Nations and, 34, 39, 82.
 Limitation of, attempted, 4, 7, 16-19, 28, 32-3, 34-40, 41-2, 82.
 Most-favoured-nation clause, 6-7, 11, 18, 19, 334, 339; regional agreements and, 20 *seqq.*, 33-4, 35, 38, 42.
 Netherlands, policy of, 9, 38-40.
 Oslo Convention (1930), 38.
 Poland, policy of, 8, 9, 24, 306, 334 *seqq.*, 342 *n.*, 343.
 Reasons for maintaining, 34-5.
 Regional agreements, 33-4, 35-7, 38.
See also under BRITISH EMPIRE;
 EUROPE.
 Revenue duties, 10, 37.
 Sweden, policy of, 9, 38.
 Truce: conferences on, 19, 21, 34; Convention (1930), 37, 341-2.
 U.S.A., policy of, 4-5, 17, 30, 116, 133, 134, 135. *See also above under* Great Britain.
 Uruguay, policy of, 11.
 World Economic Conferences and— (1927), 34;—(1932), 41-2, 116.
 Taylor, Admiral, 475 *n.*
 Tevfik Rüstü Beğ, 208, 218.
 ter Meulen, Mr. C. E., 375.
 te Water, Mr., 575-6 *n.*

Thomas, Mr. J. H., 504, 548, 552 *n.*, 563-4.
 Trade, international: balance of, 5, 10, 11, 13-14 *and n.*, 42-3, 72, 78, 88, 90, 93; barter agreements, 14-15; bilateral agreements, 15-19, 34-5, 36, 82; cartels, 37; export permits, 10; imports, restriction of, 9-10, 12-13, 70, 72, 81;—by permits, 9-10, 81;—by quotas, 6 *seqq.*, 11, 19, 40, 65, 81, 392-3 *n.*; position of, 3-4, 6, 13-14, 42-3, 95, 98, 107, 122, 123-4, 136.
 Treaties: non-recognition of changes brought about in breach of, 272, 410, 528 *n.*, 540 *seqq.*, 560, 578, 579, 580 *n.*, 583-4; revision of, 186, 199, 281, 282, 290, 325-6;—French attitude to, 100, 186, 225-6, 308-10;—*see also under* DISARMAMENT: Germany.
 Treaties, agreements, &c. (bilateral):
 Argentina - Germany (commercial treaty), 18.
 Austria-France (clearing agreement), 15.
 Austria-German (clearing agreement), 15.
 Austria-Hungary (clearing agreement), 15-16, 62, 63.
 Austria-Italy (clearing agreement), 15.
 Austria-Jugoslavia (clearing agreement), 15.
 Austria-Netherlands (clearing agreement), 15.
 Austria-Poland (commercial agreement), 15.
 Austria-Rumania (commercial agreement), 15.
 Austria-Switzerland (clearing agreement), 15.
 Belgium-France (commercial agreement, Aug. 1932), 17.
 Belgium - Hungary (clearing agreement, 26.3.32), 15-16, 62.
 Bulgaria-Greece (commercial agreement); 15; (Kaphandáris-Molov agreement, 9.12.27); 145-6 *and n.*, 169-70 *and n.*; (moratorium agreement, 11.11.31), 170 *and n.*
 Bulgaria-Poland (commercial agreement), 15.
 Bulgaria - Switzerland (commercial agreement), 15.
 Canada-Germany (commercial agreement, Dec. 1932), 19.
 China-Japan (Dairen Customs agreement, 30.5.07), 466 *n.*; (Shanghai armistice agreement, 5.5.32), 511-13.

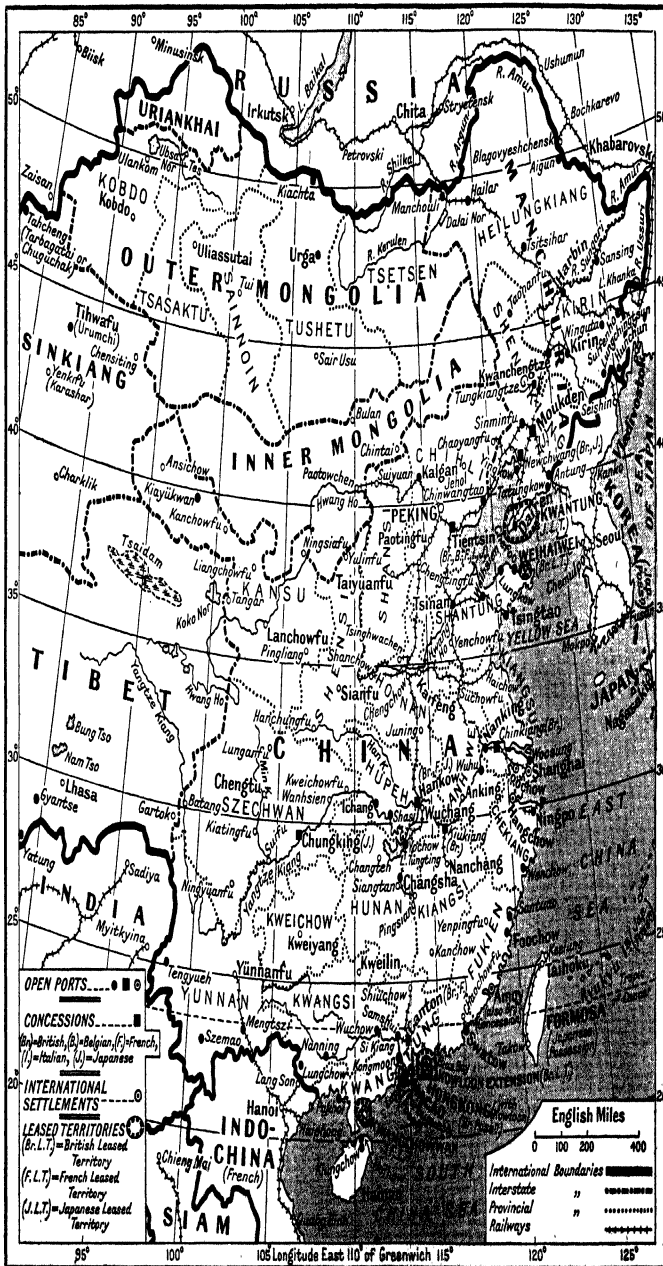
- China-U.S.S.R. (C.E.R. agreement, 31.5.24), 534-5.
- Czechoslovakia - Hungary (clearing agreement), 62.
- Danzig-Poland (Convention, 9.11.20), 378, 386 *n.*; (*port d'attache* agreement, 8.10.21), 389; (agreement, 24.10.21), 371 *n.*, 375, 386 *n.*, 392-3 *n.*; (agreement regarding Polish nationals, 1.9.23), 386 *n.*; (Customs receipts agreement, 20.9.26), 374 *and n.*; (railway and harbour questions agreements, 4.8.28), 377, 389; (*port d'attache* and hostile activities protocols, 12.8.32), 390, 392 *and n.*; (agreement regarding Polish nationals, 26.11.32), 386 *n.*
- Denmark-Great Britain (commercial agreement, 24.4.33), 40.
- Estonia-Poland (commercial agreement), 15.
- France-Germany (commercial treaty, 17.8.27), 17; (clearing agreement, 24.12.32), 18; (commercial agreement, 28.12.32), 18.
- France - Great Britain (guarantee treaty, 28.6.19), 307-8.
- France-Hungary (clearing agreement, 4.3.32), 15-16, 62.
- France-Italy (commercial agreement), Aug. 1932), 17.
- France - Latvia (commercial agreement), 15.
- France-Poland (political agreement, 19.2.21), 308.
- France-Spain (commercial agreement, Aug. 1932), 17.
- France-U.S.A. (guarantee treaty, 28.6.19), 307-8.
- Germany-Great Britain (commercial treaty, 2.12.24), 6-7; (commercial agreement, 13.4.33), 7, 18.
- Germany-Hungary (commercial agreement, 18.7.31), 22; (clearing agreement, 13.4.32), 15-16, 62; (import quotas agreement), 15.
- Germany-Italy (commercial payments agreement, 1.7.32), 12.
- Germany-Lithuania (arbitration treaty and agreements on frontier questions and Memel, 29.1.28), 399; (commercial treaty, 30.10.28), 399; (agreement regarding German officials May 1930), 403 *n.*
- Germany-Poland (Upper Silesia Convention, 15.5.22), 334, 346 *and n.*, 349, 350, 355, 356, 361 *n.*, 366-7, 368; (nationality treaty, 30.8.24), 327, 328 *and n.*; (arbitration treaty, 1.12.25), 312-13; (Mixed Conciliation Commission agreement, 21.12.26), 328 *and n.*; (status of Germans in Poland agreement, 21.7.27), 337, 339; (seasonal immigration agreement, 24.11.27), 337; (commercial negotiations protocol, 23.11.27), 337-8; (timber agreement, 1.12.27), 338, 343 *and n.*; (revalorization agreement, 5.7.28), 339; (liquidation agreement, 31.10.29), 318, 319, 322, 327, 339, 342, 350; (rye agreement, 18.2.30), 338, 343; (commercial agreement, 17.3.30), 319, 322, 334, 339-40, 341-3 *and n.*; (provisional commercial agreement, 26.3.32), 343.
- Germany-Rumania (commercial agreement, 27.6.31), 22.
- Germany-South Africa (commercial treaty, 1.9.28), 33.
- Germany-Sweden (commercial treaty, 14.5.26), 8, 18.
- Germany-U.S.A. (war debt agreement, 23.6.30), 117 *and n.*
- Germany-U.S.S.R. (non-aggression treaty, 24.4.26), 315-16.
- Great Britain (agreements regarding war debts, 11/13.8.31), 103.
- Great Britain-Norway (commercial agreement 15.5.33), 40.
- Great Britain-Sweden (commercial agreement, 15.5.33), 40.
- Great Britain-U.S.A. (debt funding agreement, 18/19.6.23), 135.
- Great Britain-U.S.S.R. (commercial agreement, 16.4.30), 29.
- Hungary-Italy (clearing agreement), 15-16, 62.
- Hungary-Poland (import quotas agreement), 15.
- Hungary-Rumania (clearing agreement), 15-16, 62.
- Hungary-Switzerland (clearing agreement), 15-16.
- India-Japan (commercial convention), 10 *n.*
- Japan-Manchukuo (protocol, 15.9.32), 462-3, 585.
- Japan-Russia (peace treaty, 5.9.05), 534.
- Jugoslavia-Poland (import quotas agreement), 15.

- Treaties, agreements, &c. (bilateral) (*cont.*)
 Lithuania-Memel (financial agreement, 18.8.32), 401 *n.*
 Lithuania-U.S.S.R.: (peace treaty, 12.7.20), 400 *n.*; (non-aggression pact, 28.9.26), 399-400 *n.*
 Manchuria - U.S.S.R.: (agreement, 1924), 469; (Khabarovsk Protocol, 22.12.29), 417, 536.
 Norway-U.S.S.R. (import quotas agreement), 15.
 Ottawa commercial agreements (20.8.32), 29-32, 33-4.
 Treaties, agreements, &c. (multilateral)
 Arms Traffic Convention (17.6.25), 295-6, 297.
 Austrian Loan Protocol (15.7.32), 4, 84-5, 86.
 Austrian Reconstruction Protocols (4.10.22), 84, 85.
 Austro-Hungarian Debt: (Innsbruck Protocol, 25.6.23), 162 *n.*; (Prague Agreement, 14.11.25), 162 *n.*
 Belgo-Dutch Tariff Convention (18.7.32), 33, 38-40.
 Chemical and Bacteriological Warfare Protocol (17.6.25), 231 *n.*, 253.
 Geneva Protocol (2.10.24), 308, 521.
 'Gentlemen's Agreement' (Lausanne, 2.7.33), 113-14 *and n.*
 Hague Agreements (20.1.30), 112 *and n.*, 139, 143 *and n.*, 144-5, 165-7, 168 *seqq.*
 Lausanne Treaties (9.7.33), 112-15, 117, 134 *and n.*, 135.
 Locarno Treaties (1.12.25), 279 *and n.*, 282, 308, 312-13, 521.
 London Naval Treaty (22.4.30), 201, 202, 225 *n.*, 240, 241 *and n.*, 251-2, 287, 293.
 Memel Convention (8/17.5.24), 394 *and n.*, 395 *and n.*, 398 *and n.*, 405 *and n.*
 Neuilly Peace Treaty (with Bulgaria, 27.11.19), 138, 140, 145, 147-8, 163, 164.
 Oslo Economic Convention (22.12.30), 38.
 Pacific Settlement (General Act, 26.9.28), 276.
 Paris, Pact of, for Renunciation of War, (Kellogg Pact, 27.8.28), 176, 182, 183, 224, 239-40, 243, 249, 271-3, 275, 279, 284, 297 *n.*, 517, 521, 532 *n.*, 541, 542, 545, 546, 549, 555, 556, 576, 578, 579, 584.
 Polish Minorities Treaty (28.6.19), 346, 351, 364 *and n.*, 386 *and n.*
 Reparation Agreements—*see above under* Hague; Lausanne; *and under* REPARATION: East European.
 St. Germain Peace Treaty (with Austria, 10.9.19), 138, 140, 145, 159 *and n.*, 163, 166.
 Tariff Truce Convention (24.3.30), 341-2.
 Trianon Peace Treaty (with Hungary, 4.6.20), 138, 140, 142-3, 150 *seqq.*, 159 *and n.*, 163, 166.
 Versailles Peace Treaty (with Germany, 28.6.19), 1, 112, 163, 188, 304, 307-8, 334, 374-5 *and n.*, 394; disarmament provisions of, 185, 193, 205 *and n.*, 227, 263, 264;—Art. 164 *and*, 275 *n.*, 280, 282, 283, 290.
 Washington (1921-2), 525-6, 550, 550-1 *n.*
 Washington Nine-Power Treaty (regarding China, 6.2.22), 521, 526, 541, 542, 543, 544, 545, 546, 549, 557, 566.
 Washington Naval Treaty (6.2.22),—*see under* DISARMAMENT: Naval.
 Treviranus, Herr, 320-1, 360.
 Trip, Dr., 35.
 Tsai Ting-kai, General, 483, 490, 491, 492, 503.
 Tsang Shih-yi, 456 *n.*
 Turkey: external debt of, 43; import restrictions in, 9, 10. *See also under* DISARMAMENT; GREECE.
 Tyler, Mr. Royall, 58, 59, 150.
 Uchida, Count, 461-2, 463.
 Ueda, General, 489, 490, 507, 511.
 Ulitz, Dr., 355 *n.*, 357-8 *and n.*
 Unemployment, 4, 95. *See also under* DANZIG; FRANCE; GERMANY; POLAND.
 Uruguay, 194 *n.*; economic and financial position of, 11, 12, 44; Great Britain, commercial relations with, 11. *See also under* TARIFFS.
 U.S.A.: expansion, methods of, 466 *n.*; financial situation of, 59, 95, 96, 105; foreign policy of, 517; Great Britain—commercial relations with, *see under* WAR DEBTS: Great Britain;—Hoover-MacDonald *communiqué* (9.10.29), 272, 541;—*see also under* CHINA: Japan; investment policy of, 44, 74; political situation of (1932-3), 4, 119 *and n.*, 132 *seqq.*, 181—

- effects of on foreign policy, 4, 17, 42, 176, 273, 287; U.S.S.R., relations with, 537-8. *See also under* AMERICA, Latin; AVIATION, Civil; BULGARIA; CANADA; CHINA; DISARMAMENT; FRANCE; GERMANY; HOOVER, President; HUNGARY; INTER-GOVERNMENTAL DEBTS; JAPAN; LEAGUE OF NATIONS; POLAND; REPARATION: German; SECURITY; SPAIN; STIMSON, Mr.; TARIFFS.
- U.S.S.R.: army, mechanization of, 437 *n.*; barter agreements negotiated by, 14; foreign policy of, 534, 537; Great Britain, commercial relations with, 29 *and n.*; Metro-Vickers trial, 29 *n.*; post-war position of, 183, 303; Third International, relation of Soviet Government to, 467; wheat policy, 21, 26. *See also under* CANADA, CHINA; DANZIG; DISARMAMENT; EUROPE: Economic and financial situation; GERMANY; JAPAN; LITHUANIA; MANCHURIA; NORWAY; POLAND; SECURITY; U.S.A.
- Valdemaras, Monsieur, 399, 400 *and n.*
- Vandervelde, Monsieur Emile, 195-6.
- Venezuela, currency of, 11, 194 *n.*
- Venizelos, Monsieur, 68, 311.
- Viénot, Monsieur, 85.
- Vilna, 394, 395, 400 *n.*
- Wang Ching-wei, 489 *n.*, 507.
- War: danger of, 173 *seqq.*, 190, 282; freedom of the seas, 200, 279; General (1914-18), 174, 182-3, 184; hostilities without declaration of, 283-4; local conflicts, 185 *n.*; neutrality, 188, 271-3, 275, 279, 282; Renunciation of, Pact for—*see under* TREATIES.
- Washington Conference (1921-2), 549, 550, 551. *See also under* DISARMAMENT: Naval.
- Welczeck, Count, 351.
- Western civilization, possible disintegration of, 2-3, 173-4, 175, 176.
- Weygand, General, 274.
- Wheat, 21, 57. *See also under* EUROPE: Economic and financial situation.
- Whiteside, Mr., 192.
- Williams, Mr. E., 191.
- Wilson, Mr. Hugh., 297, 580 *n.*
- Wilson, President, 99 *and n.*
- Woodruff, Mrs. C. T., 450.
- World crisis: capitalist system, resistance of to, 3-4; diplomatic methods in relation to, 530; distribution, problem of, 2, 14; economic and political aspects of, 236, 263; experts, attitude of, 173, 178; phases of (1931-3), 1-4; reaction of on Manchurian crisis; 403-*n.*, 515 *n.* *See also under* CREDIT; CURRENCY; EUROPE; GOLD; INTER-GOVERNMENTAL DEBTS; PRICES; REPARATION; TARIFFS; TRADE.
- World Economic Conference (1932), 4, 38, 41-2, 113, 115, 136, 137, 247 *n.*; Great Britain and, 41-2, 115, 135, 136, 247 *n.*; U.S.A. and, 41-2, 116, 130 *seqq.*
- Wu Te-chen, 472-3, 474, 479, 483, 503, 514-5.
- Yang Yu-ting, 469.
- Yen, Dr. W. W., 559, 560, 562, 564, 567, 569, 570, 572, 573, 574, 581, 584, 585, 586.
- Yen Hsi-shan, 454, 489 *n.*
- Yoshizawa, Mr., and Silesian elections, 367-9, 369, 370; and Sino-Japanese dispute, 435, 501, 503, 535, 543, 559, 561, 566.
- Zaleski, Monsieur, and Danzig, 387; and German disarmament, 313; and German-Polish relations, 316 *seqq.*, 323, 337;—election incidents case, 365, 366-7, 368 *and n.*;—minority schools case, 355-6 *and n.*, 357 *n.*
- Zaunius, Dr.: and Böttcher case, 404, 405, 406; and Memel elections (1930), 400, 401.
- Ziehm, Dr., 387, 393.
- Zimmermann, Dr., 144.
- Zulueta, Señor de, 208.

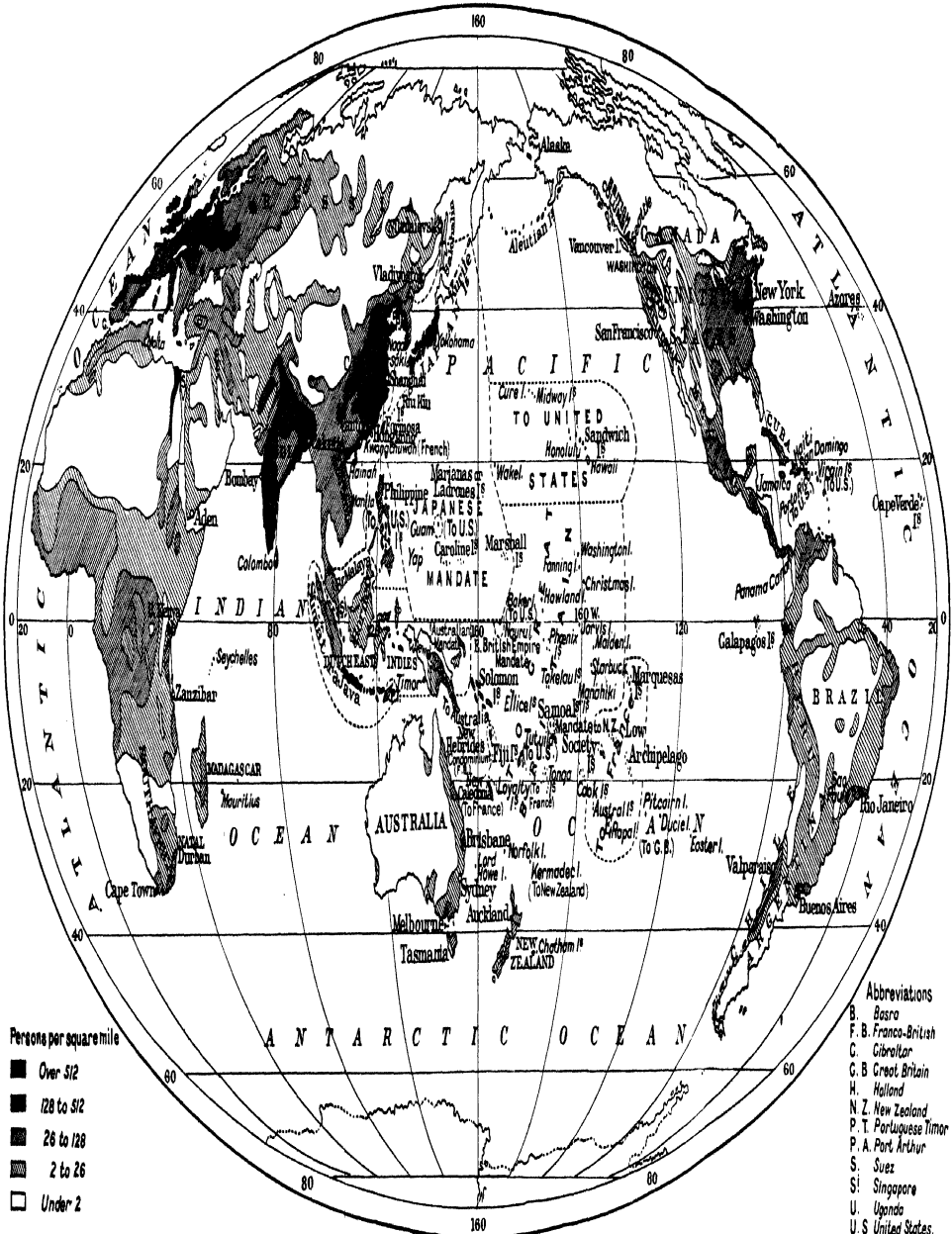
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GREAT BRITAIN
AT THE
UNIVERSITY PRESS
OXFORD
BY
JOHN JOHNSON
PRINTER
TO THE
UNIVERSITY

CHINA



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